August 4, 2006
File Reference No. EITF0605

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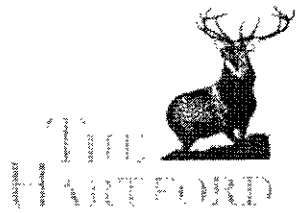

Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Via e-mail: director@fasb.org

Re: File Reference No. EITF0605

LETTER OF COMMENT NO. 5

Dear Task Force:

The Hartford Financial Services Group, Inc., as a market leader in providing Corporate Owned Life Insurance, is pleased to provide comments on the **Draft EITF Abstract for EITF Issue No. 06-5, Accounting for Purchases of Life Insurance – Determining the Amount that Could be Realized in Accordance with FASB Technical Bulletin No. 85-4**.

We understand that the Task Force has determined that there is a need to clarify how to measure the amount that could be realized under a purchased life insurance contract as of the reporting date – the reported asset amount. However, we believe that the current guidance in FASB Technical Bulletin No. 85-4 is adequate and the conclusions reached in the draft EITF abstract could result in a different measurement from today's accounting that does not reflect the economic substance of the contract.

Specifically, with respect to Issue 2:

- The Task Force reached a consensus that the realizable amount should be determined assuming the surrender at an individual-life level, and not the total contract level. The FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*, indicated the current capacity to realize contracts is limited to settlement amounts specified in the contract. That guidance permits contracts to be measured at the total contract level. Therefore, in cases where there is a surrender charge at an individual-life level but not at the total contract level, the settlement amount should be measured without regard to the individual-life surrender charge.
- A primary purpose of corporate owned life insurance policies is to serve as a corporate investment to informally fund, in the aggregate, post retirement and other benefit obligations of the corporation. It is that aggregate view of the transaction that should dictate the valuation. Individual-life surrenders are economically inefficient because they require administration and could require the underlying investment account to be liquidated or re-positioned prematurely due to erratic or less predictable surrender activity. Therefore, often by design, individual-life surrenders can require a surrender charge even though they are rare in occurrence. In our experience as an industry leader, we have had individual

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life surrenders of less than 1% of the aggregate lives in our total corporate owned policies.

- In addition in several states, it is a regulatory requirement that an individual policy/certificate be surrendered when an employee leaves a company and the employee has no vested benefits at the time of termination. It would be inappropriate to extend this individual life reason for surrender to the entire contract as would be required under the EITF.

Therefore it is our position that by requiring that the realizable value be determined at the individual-life level, the reported asset value is understated in many cases from its economic value.

Within Issue 1:

- The Task Force reached a consensus that fixed amounts that are recoverable by the policyholder in future periods in excess of one year from the surrender of the policy should be recognized at their present value. DAC Tax is one such item and refers to income tax paid by the insurer related to the initial policy premium that is recovered from the IRS over the next 10 years – a timing difference for the insurer. Today, the insurer charges the policy value for the income tax in year one and credits it back to the policy value over the next 10 years, as it recovers the tax paid. The insurer is effectively accounting for the tax as a recoverable cost passed through to the policyholder and therefore recognizes no gain or loss at the time of policy issuance.
- Under the proposed guidance, the policyholder would be required to reduce its recorded asset for the discount on the DAC Tax Recoverable in year one, by expensing a portion of the premium, and then record a benefit to net income by accreting the policy value back up as the discount amount is recovered. This DAC Tax Recoverable for the policy owner is considered part of the policy assets as noted in the EITF. While this recoverable is a non-performing component of this insurance contract, the policy owner looks to the total return of the policy and does not segregate any components when assessing the purchase and performance of the policy. This additional charge to the policyholder in year one will unnecessarily distort the investment's book yield because most policies remain in force longer than the 10 years.
- In addition, if the insurer, by analogy, is required to reduce its insurance liability for the amount of the discount but must record its deferred tax asset at an undiscounted amount (because deferred tax assets cannot be discounted), the insurer would recognize additional income in year one and expense in subsequent years as the account value is accreted back up. This accounting would be completely inconsistent with the economics and business purpose of the transaction which is to affect a complete pass through of the cost to the policy.

Therefore it is our opinion that the DAC Tax should not be discounted because it would be inconsistent with the true economics of the transaction and the business purpose of the investment in the insurance contract.

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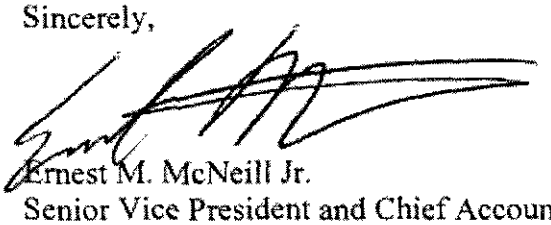
We would be happy to discuss our comments, in more detail, with the Task Force or its staff. Please feel free to call me at (860) 843-3596.

Sincerely,



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