

**STANDARD  
& POOR'S**

Credit Market Services

55 Water Street  
New York, NY 10041

June 15, 2007



LETTER OF COMMENT NO. 28

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Via Electronic Mail: [director@fasb.org](mailto:director@fasb.org)

Re: Exposure Draft – Proposed Statement of Financial Accounting Standards, *Accounting for Financial Guarantee Insurance Contracts, an Interpretation of FASB Statement No. 60*

File Reference Number 1530-100

Dear Sir/Madame:

Standard & Poor's Ratings Services (Standard & Poor's) appreciates the opportunity to provide the Financial Accounting Standards Board (the Board) our comments on the Proposed Statement of Financial Accounting Standards, *Accounting for Financial Guarantee Insurance Contracts, an Interpretation of FASB Statement No. 60* (the Proposed Statement). The views expressed in this letter represent those of Standard & Poor's and do not address, nor are they intended to address, the views of The McGraw-Hill Companies. Further, our comments are intended to address the analytical needs and expectations of credit analysts.

Standard & Poor's supports the Board's objective to clarify the accounting for premium revenues and claim liabilities arising from financial guaranty contracts.

Although the Proposed Statement would result in several useful disclosures and introduce further consistency in accounting for certain types of contracts, it only applies to limited circumstances and entities, and would not promote consistent accounting, either because the financial guarantee contracts were underwritten by different types of entities; because they are distinguished as derivatives, rather than insurance contracts; or because similar types of contracts, such as mortgage guarantees, would be accounted for differently. To better address the financial information needs of analysts, we believe the guidance should be considered within a comprehensive framework that would promote consistent treatment of these and similar types of contracts, regardless of the manner in which they were structured or whether they are issued by an insurer or by a financial institution, as a similar structured product or as a derivative. Further, the accounting model prescribed by the Proposed Statement does not reflect the economic pattern of revenue earned under the contract, nor does it adequately portray the ensuing liabilities arising from these arrangements.

In particular, our concerns relate predominantly to the following:

- **Scope of the Proposed Statement** – Similar contracts, such as credit and mortgage insurance, will be accounted for in a different fashion as will similar or identical types of contracts if entered into by financial guarantors or by other entities (e.g., banks). Further, financial guarantee contracts that would qualify for derivative accounting will result in vastly different revenue recognition and a liability pattern, despite being substantially equivalent economically.
- **Revenue and Expense Recognition** – The proposed revenue recognition model is back loaded, reflecting amortization solely based on the schedule of contractual payments. The linking of revenue recognition to the contractual payments does not take into account the diminution in risk arising from the passage of time. Further, the Proposed Statement does not address the treatment of deferred acquisition costs, which may result in recording and amortizing these costs under the existing guidance prescribed by Statement No. 60. This would not be congruent with the proposed revenue recognition model, and would result in a significant revenue/expense mismatch.
- **Recognition of Insurance Liabilities** – We concur that discounting of losses based on the credit standing of the guarantor reflects its claims-paying ability. However, the Proposed Statement disclosures do not, in their present state, provide a clear distinction between the discounting related to the issuers' credit quality (as opposed to the time value of money), nor are the rates at which liabilities are discounted required to be disclosed. As a result, analysts and other users will be unable to determine the adequacy of reserves in settling the notional obligations for which the issuers ultimately will be liable.
- **Display of Insurance Liabilities** – Deferred revenues (unearned premium revenue) would be displayed as an aggregate balance that incorporates sums relating to both potential and actual claim liabilities (which entail a future outlay of cash), as well as amounts representing future revenues (which does not require a cash outlay). Economically, these are two different classifications. To be meaningful to analysts, we recommend that the unearned premium balance be separately displayed from claim liability balance.
- **Recognition of Reinsurance Cessions and Recoverables** – The Proposed Statement is explicit in its application to reinsurance contracts issued by insurance enterprises. Given that the existing model treats insurance and reinsurance contracts separately under FASB Statements Nos. 60 and 113, it is unclear whether the Proposed Statement applies to purchases by insurance enterprises, and whether it would address the treatment of reinsurance arrangements including the impact of ceded unearned premiums; ceded commissions; and amounts recoverable (both as it relates to accounting and disclosures).

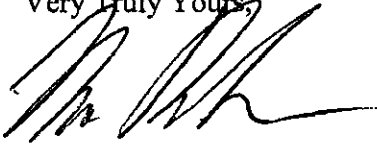
Further discussion of our views and our response to the specific issues for which comments were requested are provided in the Appendix.

We recommend the Board reconsider the issuance of the Proposed Statement in its present state and instead pursue development of guidance within the context of a broader and more comprehensive accounting and disclosure model that also takes into account converging accounting standards. We believe analysts and other users will be better served by this approach over the longer term.

\*\*\*\*\*

We thank you for the opportunity to provide our input on the Proposed Statement. We would be pleased to discuss our views with any member of the Board and its staff. If you have any questions, or require additional information, please contact Neri Bukspan, Managing Director and Chief Accountant at (212) 438-1792 ([neri\\_bukspan@standardandpoors.com](mailto:neri_bukspan@standardandpoors.com)) or Ronald Joas, Director of Financial Reporting at (212) 438-3131 ([ron\\_joas@standardandpoors.com](mailto:ron_joas@standardandpoors.com)).

Very Truly Yours,



Neri Bukspan  
Managing Director and Chief Accountant  
Standard & Poor's



Ronald Joas  
Director, Financial Reporting  
Standard & Poor's

## Appendix

### Scope (Paragraphs 2–6)

**Issue 1:** The scope of this proposed Statement defines a financial guarantee insurance contract as a contract issued by insurance enterprises that provides protection to the holder of a financial obligation from a financial loss in the event of a default. The event of a default (insured event) refers to nonpayment (when due) of insured contractual payments by the issuer of the insured financial obligation. Do you agree with the definition used to identify a financial guarantee insurance contract subject to the provisions of this proposed Statement? If not, why not?

**Issue 2:** This proposed Statement would apply to financial guarantee insurance (and reinsurance) contracts issued by insurance enterprises included within the scope of Statement 60. Do you agree with the scope of the proposed Statement? If not, why not? Should the scope include other insurance contracts that are similar to financial guarantee insurance contracts issued by insurance enterprises? Should the scope include all financial guarantee contracts (that is, those issued by insurance and noninsurance enterprises)?

**Issue 3:** The scope of this proposed Statement would not apply to a financial guarantee insurance contract that is a derivative instrument included within the scope of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Should more guidance be provided regarding paragraph 10(d) of Statement 133 and how to apply that paragraph?

We agree with the proposed definition of a financial guarantee contract.

The Proposed Statement resolves diversity in practice in accounting for financial guarantee contracts, albeit only in a very narrow sense. Its scope is limited because it does not allow for similar contracts to be consistently accounted for -- either because of the manner in which the contract is documented, or because of the activities in which the entity providing the coverage is engaged. For example, a financial guarantee contract structured as a derivative will be accounted for differently by a financial guarantor than a “traditional” financial guarantee contract providing similar coverage; a financial guarantee contract issued by a noninsurer financial institution will be accounted for differently than that issued by a financial guarantor. Moreover, similar contracts, such as mortgage insurance, would be accounted for in a significantly different manner, as would letters of credit issued by a bank.

We do not support a limited approach that only includes particular contracts issued by “insurance enterprises” within the scope of the Proposed Statement. The melding of elements from short- and long-duration contract accounting with other factors leads us to conclude the Proposed Statement is essentially a new model that is inconsistent with an amendment of Statement No. 60. We recommend the Board reevaluate these scope limitations and consider addressing the accounting for financial guaranty and similar contracts in a broader and more comprehensive manner as a new pronouncement. We believe analysts and other financial-statement users would be best served with a comprehensive approach, in which contracts that are fundamentally similar are accounted for in a consistent manner that reflects their economic nature, whether issued by insurance or noninsurance enterprises.

Neither the Proposed Statement nor Statement No. 60 explicitly defines monoline financial guarantors as insurance enterprises. Rather, the scope is explicit in application to financial guaranty contracts written by “insurance enterprises.” As a result, a monoline financial guarantor or a noninsurance enterprise could conceivably apply other guidance (such as FIN 45), because analogies to the Proposed Statement are not allowed for similar contracts. Further, this disparity in accounting treatment may lead to attempts to structure entities in such a way as to achieve a particular accounting result.

Consequently, we are concerned that, because of these matters and the Proposed Statement’s “delayed” revenue recognition model, its application may ultimately promote, rather than resolve, diversity in practice.

#### **Unearned Premium Revenue (Paragraphs 7–11)**

**Issue 4:** This proposed Statement would require that an insurance enterprise recognize a liability for unearned premium revenue at inception of a financial guarantee insurance contract. Further, a premium receivable (asset) would be recognized at inception of the financial guarantee insurance contract for which the premiums are received in installments (since each installment premium is not considered a renewal premium but merely a form of financing). Do you agree? If not, why not?

**Issue 5:** Under this proposed Statement, the measurement of the initial unearned premium revenue (liability) would be the present value of the contractual premium due pursuant to the terms of the financial guarantee insurance contract. Further, for premiums received in installments, the initial measurement of the unearned premium revenue (liability) would be based on the present value of the contractual premium receivable (asset). Do you agree? If not, why not?

**Issue 6:** This proposed Statement would require that the present value of the premium receivable (asset) be determined using a discount rate that reflects the policyholder’s credit standing at the inception of the contract. The discount rate would be accreted on the premium receivable (asset) through investment income over the period of the contract in accordance with APB Opinion No. 21, Interest on Receivables and Payables. Do you agree? If not, why not?

We agree that a liability should be recognized for the Unearned Premium Revenue (UPR), representing the company’s obligation to provide coverage in the event of a default. Similarly, the premium receivable should be recorded as an asset, because it represents a contractual obligation to pay for the insurer’s willingness to provide coverage.

We also agree that premiums payable in installments are a form of financing, and therefore concur with the Board’s decision to record them at their discounted value. However, policies are normally issued to either trustees or special purpose entities. Because of the particular waterfall structures by which trustees determine payments to be made and the nature of the insurance policy (which may provide a guaranty for a particular tranch, multiple tranches, or all tranches in a particular issuance), the issuer may have difficulty determining an appropriate rate at which to discount the receivable and may call into question the relevance of the particular discount rate utilized.

**Issue 7:** This proposed Statement does not provide specific guidance related to changes in contractual premiums, such as changes due to interest rates on a floating-rate insured financial obligation or partial prepayments of an insured financial obligation. How often are floating-rate financial obligations insured by insurance enterprises within the scope of this proposed Statement? How often do partial prepayments of an insured financial obligation occur? Do you believe the Board should provide additional guidance for these changes in contractual premiums?

Although in our experience insured floating rate contracts are less prevalent, they do exist. Consistent with our view that the revenue recognition model should take into account the decline in risk; we believe a revenue recognition model that encompasses an “expected payment” pattern would be more representative of the actual economics of the transaction. Similarly, the Proposed Statement does not allow for consideration of expected prepayments and refundings -- thereby failing to consider any link to the decline in risk caused by these expected prepayments -- further exacerbating the delayed recognition model.

#### **Premium Revenue Recognition (Paragraphs 12–17)**

**Issue 8:** This proposed Statement would require that an insurance enterprise recognize a premium from a financial guarantee insurance contract as revenue over the period of the contract in proportion to the insured contractual payments made by the issuer of the insured financial obligation. The premium revenue for each reporting period would be determined based on the ratio of (a) the insured contractual payments made on the insured financial obligation during the reporting period to (b) the total of all insured contractual payments to be made on the insured financial obligation over the period of the contract. During its deliberations, the Board considered measuring at fair value a financial guarantee insurance contract, noting that a fair value measurement would include changes caused by the passage of time. However, the Board did not pursue a fair value measurement because it is unwilling at this time to change to the fair value measurement attribute within the insurance accounting model for only one type of insurance contract. Do you agree with the proposed premium revenue recognition approach? If not, why not? Also, if not, what should be the appropriate determinant of revenue recognition?

As is recognized by the Board in the basis for conclusion, the linking of revenue recognition to the contractual payments represents only a partial link to the decline in risk, as it does not take into account the decline in risk from the passage of time. Because of the long tenure of many of these contracts, this may result in back loading of revenue recognition and a flawed revenue recognition model when compared with the economics of measuring the business result. For example, an insured bond indenture will have a changing credit profile over its contractual life that is not fully represented by the proposed recognition pattern. We do not believe a recognition model that does not fully reflect the deterioration of (the best current estimate of) the economic risk is appropriate. Further, this revenue recognition pattern is a significant departure from the model currently provided for under Statement No. 60, whereby revenue is recognized in proportion to the amount of protection provided and the decline in risk. A more appropriate recognition model would be based on the factors specific to the company, the market in which it operates, the guaranteed instrument, and the assets and cash flows supporting it. This highlights the need for revenue and loss recognition to be considered within a comprehensive and consistent framework.

**Issue 9:** The Board concluded that insured contractual payments of the insured financial obligation are the most appropriate measure of exposure in a financial guarantee insurance contract. Do you agree? If not, why not? Also, if not, what would be a more appropriate measure of exposure and why?

**Issue 10:** Under the guidance in this proposed Statement, premium revenue would not be recognized for an insured zero coupon bond until the insured contractual payments are made at maturity. Do you agree that the proposed premium revenue recognition approach sufficiently incorporates the passage of time? Why or why not? How are these insured financial obligations affected by the passage of time (that is, how does the premium charged for the financial guarantee insurance contract change over time and what is the ability to subsequently price the contract)? Please provide examples.

Consistent with our comments under Issues 7 and 8, we do not believe a recognition model based solely on these balances sufficiently incorporates the passage of time or is reflective of the change in the risk of loss to the company over time. This is clearly exemplified using the zero coupon bond illustration in Issue 10. Holding all other factors static, the passage of time would decrease the probability of a loss occurring, and as a result, the actuarial estimate of risk. This is not reflected in the proposed model and is inconsistent with the recognition model of Statement No. 60.

**Issue 11:** The Board concluded that the contractual period covered by the insured financial obligation should be used in determining the period over which premium revenue should be recognized. Do you agree? If not, why not? When prepayment information is available, should this information be used to adjust the contract term when a homogenous pool of underlying contracts exists and is measurable? If so, please provide examples of these arrangements and a description of how reliable prepayment estimates are.

We believe a projected departure from the contractual life should be reflected in the financial statements, making them more reflective of the actual economics of the underlying transaction. We do not believe reliability of estimates should govern the accounting model, consistent with the use of many other estimated measures used in financial reporting more broadly and insurance accounting in particular. For example, such estimates can incorporate assumptions regarding the forward yield curve, historical prepayment experience, the timing of prepayments, and contractual provisions allowing for prepayments. As discussed under Issue 7, we believe an appropriate revenue recognition model should capture the expected pattern of prepayment and refunding. This model should incorporate appropriate disclosures in the notes about significant estimates and changes thereof during the reporting period. Further, the Proposed Statement's approach of not taking into consideration prepayments would result in recording premium receivable balances the company does not believe are collectible.

**Issue 12:** In instances where the issuer of an insured financial obligation that had a nonrefundable premium retires an insured financial obligation before its maturity and replaces it with a new financial obligation, this proposed Statement would require that any unearned premium revenue (liability) related to that contract and associated deferred acquisition costs be immediately recognized as premium revenue and expense, respectively. Further, if the insurance enterprise insures the new financial obligation, the insurance enterprise would record a premium on the new financial obligation that is commensurate with the premium it would charge to insure a similar financial obligation in a separate (standalone) transaction. If that premium differs from the premium actually charged, the difference would be recognized in current income. Do you agree? If not, why not?

We concur with the Board's view that the economics of distinct contractual arrangements should be analyzed independently, unless there is a clear indication of linkage. Accordingly, upon the termination of a financial guarantee contract, it would be appropriate to recognize any remaining balances of deferred acquisition costs and deferred revenues. Any off-market terms related to the new contractual arrangement should be currently recognized, and when material, supplemented by appropriate disclosure regarding the nature of the new pricing (e.g., future cash flows arising from the new contract may otherwise be lower than a similar insurance contract not entered into in conjunction with a refunding).

#### **Claim Liability (Paragraphs 18–24)**

**Issue 13:** This proposed Statement would require that an insurance enterprise recognize a claim liability on a financial guarantee insurance contract when the insurance enterprise expects that a claim loss will exceed the unearned premium revenue (liability) for that contract based on expected cash flows rather than when a default (insured event) occurs. Do you agree? If not, why not? Does this provide an appropriate point of recognition for a claim liability related to a financial guarantee insurance contract?

**Issue 14:** This proposed Statement would require that an insurance enterprise measure a claim liability based on the present value of expected cash flows discounted using a risk-adjusted rate at the time of the initial recognition of the claim liability. For purposes of this proposed Statement, that risk-adjusted rate shall be based on the risk-free rate, adjusted for the credit standing of the insurance enterprise. The discount rate would be updated only when a default occurs. Do you agree? If not, why not?

Conceptually, we believe the loss should be recognized when incurred or expected to be incurred. However, under the Proposed Statement it is not reflected in the financial statement unless and until it exceeds the unearned premium liability. In effect, this results in netting the losses from the future recognition of deferred revenues. We believe this approach is potentially flawed, and would be misleading to analysts. As an alternative, we suggest losses be recognized when estimated and measurable, coupled with a release of deferred revenues when appropriate. We believe this is in fact the theoretical underpinning, rather than a delay in loss recognition. Under this methodology, the income statement will appropriately reflect the revenues and the losses.

Consistent with this view, we also suggest that the deferred revenue amount (unearned premium revenue) be displayed separately from future claim liabilities. The current model requires the



presentation as an aggregate sum that contains amounts relating to both potential and actual claim liabilities (which entail a future outlay of cash), and amounts that represent future revenues (not requiring a cash outlay). Economically, these are different classifications. To be more meaningful to analysts, we recommend the unearned premium balance be separately displayed from claim liability balance.

We further believe that if the Board decides to pursue the approach prescribed by the Proposed Statement, the threshold for loss recognition should be revised to the point where the expected loss exceeds the unearned premium liability for that contract, **net of related deferred acquisition costs**, rather than requiring the deferred acquisition costs to be expensed. Under the proposed model, deferred acquisition costs are not expensed until losses exceed the UPR. As a result, this method defers the recognition of premium impairment until losses are recorded, when in fact the impairment could take place well in advance of the loss recognition. To illustrate, consider a contract with a UPR of \$1,000, DAC of \$200, and an expected loss of \$900. Under the proposed model, no loss is recognized, although there is an economic loss of \$100.

The use of an insurer-specific discount rate for recognized losses based on the credit standing of company could confuse analysts and may work counter to the objective of providing analysts and other users with an indication of a company's ability to pay claims. A company with lesser credit quality presumably will apply a higher discount rate relative to a company with higher credit quality, resulting in initial recognition of a smaller loss reserve and greater accretion of losses in subsequent periods. Further, a company hit with several concurrent losses, risking its solvency, may actually report a higher equity balance compared with its more solvent peers.

As a result of applying the proposed model, the lower the credit standing of the insurer, the greater likelihood that loss recognition would be deferred (i.e., lower loss reserves will be reflected on the balance sheet because of the discount, which will also be presented combined with the unearned premium reserve). Similarly, leaving the discount rates unchanged until an event of loss, pursuant to the Proposed Statement, would not take into account changes in the credit quality of the guarantor, or other factors that may affect its ability to satisfy loss obligations. This is inconsistent with the measurement objective applied upon the occurrence and the initial recognition of the loss. Given the long-term nature of these contracts (and considering the payment streams occurring after an event of default and the occurrence of a claim, i.e., satisfying the debt service over time), it is well within the realm of possibility that the credit quality of the insurer will change meaningfully after an event of default, which will not give rise to any change in the obligation under the proposed model.

For example, consider an 'AAA'-rated insurer that incurs \$1 billion in losses, which are reflected at a nominally discounted rate (e.g., close to a risk-free rate), resulting in losses incurred of \$990 million. A 'CCC'-rated company with an identical \$1 billion loss would, because of its relatively poor solvency prospects, deeply discount the loss to the point where it is able to pay this loss obligation. The loss reserves in this case might be recorded at a very low number (say \$100 million). As illustrated, however, the actual obligations are not \$100 million; rather, \$100 million is only the amount of net assets available to settle the obligation for the 'CCC'-rated company. This demonstrates the need for robust and comprehensive disclosures regarding the circumstances of losses incurred, including the discount amounts applied and the factors that might lead to changes in claim-loss estimates over time.

We appreciate the challenges associated with risk-adjusted discounting, and would support a consistent approach coupled with appropriate disclosures for day one and going forward accounting for these obligations. We do not find a significant utility in a balance-sheet presentation that is a hybrid approach to providing for risk weighing only in the event of a default. We believe an alternative approach based on ‘exit-price’ values would better show the ability of the company to settle these obligations.

**Issue 15:** This proposed Statement would require that in measuring the expected cash flows of the claim liability, the expected cash flows be developed using the insurance enterprise’s own assumptions about the likelihood of all possible outcomes based on all information available to the insurance enterprise and those assumptions be consistent with the surveillance list maintained by the insurance enterprise. Do you believe that the surveillance list maintained by the insurance enterprise should affect the measurement of the claim liability? If not, why not and what alternative approach could be used? Do all insurance enterprises maintain a surveillance list and, if so, is the Board’s understanding of the maintained surveillance list (as described in paragraph B21) accurate? Do you believe the Board should provide additional guidance about the surveillance list and what it contains? Can (or should) insurance enterprises follow the claim liability approach in this proposed Statement for financial guarantee insurance contracts not included on the surveillance list?

We believe the existence of a surveillance list, in and of itself, should not be the focal point in the recognition of losses. More important are the assumptions underlying the expectations of cash flows that would potentially result in losses. Broadly, the references to surveillance lists in the Proposed Statement appear to mandate the use of such lists. We recommend the Board articulate the pertinent financial measures that may well be based on or included in surveillance information, referencing the insurer claim monitoring and analysis activity. The Proposed Statement should focus on providing principles-based guidance that would result in a clear understanding of when and how losses are considered “expected”; the factors affecting recorded losses; and provide disclosure guidelines regarding the sensitivity of recorded losses to those factors. The requirement to disclose significant assumptions affecting expected cash flows should be retained, irrespective of the use of surveillance lists.

#### **Disclosures (Paragraphs 25 and 26)**

**Issue 16:** This proposed Statement would require that specific disclosures be provided about (a) premium revenue recognition accelerated due to early retirement of the insured financial obligation, (b) financial guarantee insurance contracts for which premiums are received in installments, (c) the future contractual runoff of the unearned premium revenue (liability), and (d) the surveillance list used to recognize and measure claim liabilities. Do you agree? If not, why not? Do you believe these disclosures will assist financial statement users in better understanding the financial information for insurance enterprises that issue financial guarantee insurance contracts?

We agree the added disclosures will aid in our understanding of these arrangements and their current and potential impact on the insurer’s financial position and results of operations. Much of this data is currently provided outside the financial statements (e.g., in regulatory reports), and is therefore not subject to the same level of scrutiny by independent auditors as information in the

financial statements. Accordingly, we welcome this addition. We would like to point out the following items we believe necessary to our analysis, and recommend the Board consider adding:

- The rates used to discount expected losses.
- Disclosure of information to enable further assessment of the probability of a loss, including the assumptions used in assessing the probability of the expected cash flows; the variability of those expected cash flows; the sources and amounts of potential recoveries; potential reinsurance recoveries applicable to the losses; and the credit standing of the reinsurers providing coverage, if applicable.
- Schedule of nominal receipts related to premium receivables stratified by year, e.g., next year, following three annual periods and the remaining periods aggregated in five-year increments – in a similar manner to the disclosure related to deferred revenue under paragraph 26(c).
- Disclosure of where the accretion of the discount on losses is recorded in the income statement. We recommend the Proposed Statement require a company to establish and disclose an accounting policy indicating treatment of the accretion.

#### **Effective Date and Transition (Paragraphs 27–30)**

**Issue 17:** The final Statement is expected to be issued in the third quarter of 2007. The Board concluded that this proposed Statement should be effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. Earlier application is not permitted. Do you agree with the Board’s conclusions on the effective date? If not, what would be a reasonable period of time for implementation for applying the provisions of this proposed Statement? Also, if not, please provide a description of the process changes necessary to implement this proposed Statement that would require additional time.

We agree with the Board’s proposed effective date.

**Issue 18:** This proposed Statement would require that an insurance enterprise recognize the cumulative effect of initially applying this proposed Statement as an adjustment to the opening balance of retained earnings for that fiscal year. Retrospective application is not permitted. Do you agree with not permitting retrospective application? If not, do you believe that retrospective application is possible and that sufficient information exists so that hindsight would not be used or required in reporting prior-period balances?

Ideally, financial statements should be presented on a comparable basis. We recognize, however, the operational challenges and resulting cost-benefit issues. We therefore suggest the following disclosures be added to provide further transparency into changes that may affect loss reserves and future revenue and loss recognition. At a minimum, we recommend disclosure of:

- The policies for which losses are being recognized within retained earnings;
- Loss reserves previously recognized as general reserves (if applicable);
- The assumptions utilized in determining any reserves previously recorded and the reasons for any changes in these assumptions; and
- Discussion of how adoption of this standard will affect the recognition of revenue and losses in future periods.