



February 12, 2010

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

File Reference No. EITF090G

Dear Mr. Golden:

The Accounting Principles Committee of the Illinois CPA Society (Committee) appreciates the opportunity to provide our perspective on the proposed Accounting Standards Update, “Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (a consensus of the FASB Emerging Issues Task Force).” The Committee is a voluntary group of CPAs from public practice, industry and education. Our comments represent the collective views of the Committee members and not the individual view of the members or the organizations with which they are affiliated. The organization and operating procedures of our Committee are outlined in Appendix A to this letter.

General Comments

We commend the Board for addressing the current inconsistencies in the accounting for deferred acquisition costs by insurance entities in this proposed Update. While the lack of consistency of what constitutes an acquisition cost is problematic for the end users of financial statements, we believe it is in the best interest of the preparers of financial statements to maintain the current accounting for deferred acquisition costs while the board continues focusing on the differences that exist for insurance entities under U.S. GAAP and IFRS. For example, the Board has previously communicated on its website that it does not believe in the deferral of acquisition costs and that the accounting for acquisition costs will most likely be expensed directly to the income statement upon convergence. As we recommended in our comment letter on “Consideration of an Insurer’s Accounting for Majority-Owned Investments When Ownership is through a Separate Account (A Consensus of the FASB Emerging Issues Task Force),” the Board should continue working closely with the IASB in its convergence efforts as it relates specifically to insurance entities. Due to the current differences in accounting for insurance contracts being so significant and complex between U.S. GAAP and IFRS and because convergence will require significant implementation costs in the near future, we encourage the



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Board to consider a moratorium on new guidance being issued until the differences between U.S. GAAP and IFRS are converged. This will allow preparers of financial statements to focus on changes being proposed between the Boards and more actively participate in due process, while eliminating the unnecessary complexity of implementing new guidance in the interim to only see it go away within the next five years upon convergence.

Responses to Questions

Question 1: The amendments in this proposed Update would revise the definition of an acquisition cost of an insurance entity to be costs that are directly related to the acquisition of new and renewal contracts and include those costs that are (1) incremental direct costs of contract acquisition and (2) directly related to specific activities performed by the insurer for the contract.

- a) **Do you agree with this conclusion? If not, what criteria do you think should be used as the basis for capitalization of acquisition-related costs?**
- b) **Is the proposed guidance operational or is further guidance necessary to implement the proposed guidance?**

We agree with the Boards conclusion and we believe the guidance is operational as it is currently written. While the Update would improve the accounting for acquisition costs in the interim, we believe the Update would be best addressed by including it in the joint insurance contract project discussions and implementing all changes to the accounting for insurance contracts at convergence and not earlier.

Question 2: Do you agree that for a cost to meet the definition of a deferred acquisition cost, it must relate to successful efforts (that is, a new or renewal contract)? Please provide the reasons for your view?

We agree that the definition of deferred acquisition costs must relate to successful new or renewed policy contract efforts, as those costs should be matched to any earned premiums in subsequent periods. Unsuccessful efforts have no future economic benefits and would not be matched to any future premiums.

Question 3: Do you agree with the amendments in this proposed Update that specify that advertising costs incurred by insurance entities should not be included as part of deferred acquisition costs but, rather, should follow the guidance for advertising in Topic 720 or Subtopic 340-20, as applicable? Please provide the reasons for your view.

We agree with the Board that advertising costs should not be included as a deferred acquisition cost under Topic 944 because advertising costs do not always reflect successful policy efforts. We believe that Topic 720 or Subtopic 340-20 would provide the best accounting for advertising



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costs, while eliminating any industry specific carve outs of the accounting for advertising costs incurred by insurance entities.

Questions 4: Do you expect to incur significant costs as a result of the amendments in this proposed Update? If so, please be specific about the nature of the costs you expect to incur.

We are currently unable to quantify a specific cost as a result of this proposed amendment. However, we encourage the Board to consider the implementation costs that will be incurred by small to medium size insurance entities upon convergence. It would seem most logical to allow preparers of financial statements a one-time implementation upon convergence versus incurring costs today that will possibly need to be undone (upon convergence) since the Board's preference is to directly expense insurance related acquisition costs. The cost benefit of implementing the proposed update in the near term does not make economic sense as convergence may undue this change.

Question 5: Do you believe that the proposed effective date is operational? Please provide the reasons for your view.

We believe the proposed effective date would be operational for preparers of financial statements. However, we believe the Board should not adopt this proposed standards update as the long-term economic benefit of implementing this update will most likely not be achieved and would most likely be undone with convergence of U.S. GAAP and IFRS for insurance entities.

Sincerely,

Reva Steinberg, CPA

Chair, Accounting Principles Committee



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APPENDIX A
ILLINOIS CPA SOCIETY
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2009-2010

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times, includes a minority viewpoint.

Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)

Robert A. Dombrowski, CPA	McGladrey & Pullen LLP
James J. Gerace, CPA	BDO Seidman LLP
John A. Hepp, CPA	Grant Thornton LLP
Alvin W. Herbert, Jr., CPA	Retired/Clifton Gunderson LLP
Matthew G. Mitzen, CPA	Blackman Kallick LLP
Reva B. Steinberg, CPA	BDO Seidman LLP
Jeffery P. Watson, CPA	Blackman Kallick LLP

Medium: (more than 40 employees)

Barbara Dennison, CPA	Selden Fox, Ltd.
Marvin A. Gordon, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Ronald R. Knakmuhs, CPA	Miller, Cooper & Co. Ltd.
Gary W. Mills, CPA	Frost, Ruttenberg & Rothblatt, P.C.
Kathleen A. Musial, CPA	BIK & Co, LLP

Industry:

John M. Becerril, CPA	Cabot Microelectronics
James B. Lindsey, CPA	TTX Company
Michael J. Maffei, CPA	GATX Corp.
Laura T. Naddy, CPA	Gaming Capital Group
Anthony Peters, CPA	McDonald's Corporation

Educators:

James L. Fuehrmeyer, Jr. CPA	University of Notre Dame
David L. Senteney, CPA	Ohio University
Leonard C. Soffer, CPA	University of Chicago

Staff Representative:

Paul E. Pierson, CPA	Illinois CPA Society
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