



February 12, 2010

Technical Director, File Reference No. EITF090G
Financial Accounting Standards Board
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PO Box 5116
Norwalk, CT 06856-5116

**Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts,
File Reference No. EITF090G**

The Group of North American Insurance Enterprises (GNAIE) thanks you for the opportunity to comment on the Proposed Accounting Standards Update—Insurance Topic 944: *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, a consensus of the FASB Emerging Issues Task Force (EITF 09-G). GNAIE consists of the leading North American insurance companies including life insurers, property and casualty insurers, and reinsurers. GNAIE members include companies who are the largest global providers of insurance and substantial multi-national corporations.

GNAIE does not support the issuance of EITF 09-G. It is not appropriate to deliberate the definition of acquisition costs separately from the rest of the insurance accounting model. The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) (collectively, the “Boards”) joint *Insurance Contracts Project* is the most appropriate forum to reconsider the definition of acquisition costs and their treatment in the income statement. Interim reporting changes resulting from the implementation of EITF 09-G would likely be short lived, require significant implementation efforts and provide little benefit to users of insurance company financial statements.

EITF 09-G’s requirement to capture and separate costs related to successful and unsuccessful efforts is a significant change to the definition of acquisition costs that would require considerable implementation cost and effort for insurers to adopt. In contrast, the proposed guidance would provide little, if any, enhancements to financial reporting. The definition and accounting for deferred acquisition costs (DAC), which has been operational and unchanged since 1983, are well understood by preparers and users of insurance entities’ financial statements. The current accounting practices for recognition of DAC are also supported by recoverability testing.

Modifying the definition of DAC will result in expending significant implementation efforts while the comprehensive insurance accounting model is still being deliberated.

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Users are currently able to compare, analyze and understand the current model which, if maintained, will continue to result in consistent application from period to period until a comprehensive insurance contracts accounting model is implemented. The cost of implementation for the short-lived interim modified definition of DAC is not supported by demonstrable improvements in insurer's financial statement reporting.

We also believe EITF 09-G, as proposed, will result in unintended negative consequences, including:

- Inconsistent financial statements and user confusion when adopted prospectively, which will be the case for most, if not all, long-duration contracts given that historical records do not exist for the new acquisition costs definition;
- May result in requiring additional acquisition costs to be deferred for non-life short-duration insurance contracts while fewer acquisition costs would likely be deferred for long-duration life insurance contracts;
- Insurance companies will be required to implement complex systems and processes to track successful acquisition costs by policy or contract to comply with guidance that would likely only be in effect for short time; and,
- Reflecting a different level of deferred acquisition costs for insurers based on risk management practices and/or using employees versus outsourcing certain activities.

In conclusion, EITF 09-G proposes significant changes with unintended consequences and little or no benefit. In addition, any modifications to the definition of DAC will be operational only for the period of time between implementation of the proposed guidance and implementation of the comprehensive new insurance accounting model. The right time and forum to reconsider the definition and accounting for acquisition costs is as part of the Board's *Insurance Contracts Project*.

We are available to discuss these views with you as well as any other aspects of the insurance contracts accounting model as we continue our mutual goal of developing a high-quality, robust, international accounting standard for insurance contracts.

Please direct all communications to Douglas Wm. Barnert, GNAIE Executive Director, at doug.barnert@gnaie.net.

Sincerely,

A handwritten signature in black ink that reads "Kevin Spataro". The signature is written in a cursive, slightly slanted style.

Kevin A. Spataro, Chairman
GNAIE Accounting Convergence Committee

KAS:MF:c11