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September 9, 2010

Mr. Kevin Brower, *Practice Fellow*Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: EITF Issue 09-G: Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

Dear Mr. Brower:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide the members of the Emerging Issues Task Force (EITF) with our final comments pertaining to EITF Issue O9-G, Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts, (the proposed EITF) prior to the EITF's September 15, 2010 meeting. We understand that the EITF has reached tentative conclusions on the draft guidance and we respectfully request that the EITF consider again the ACLI's views regarding this guidance before reaching a final consensus.

In our November 17, 2009 and February 12, 2010 letters, we discussed our concerns surrounding the impact this guidance could have on the insurance industry based on its timing coupled with the consideration of acquisition costs as part of the joint IASB/FASB project on insurance contracts. Now that the IASB has released its Exposure Draft on insurance contracts for comment (IASB ED), we would like to further illustrate in this letter the comparability and complexity issues that will be introduced into insurers' financial statements as a result of adopting this guidance followed by the proposed changes from the IASB. Additionally, we continue to have conceptual concerns regarding the measurement model put forth in both this guidance and the IASB exposed guidance.

The ACLI is concerned with the staged effective dates of the guidance in the proposed EITF and the IASB ED. Comparing the provisions of the proposed EITF with International Financial Reporting Standards should include the IASB ED, which is not part of the staff draft today. With an effective date of the EITF of January 1, 2012 for calendar year-end entities and an effective date of the IASB ED expected in 2013 or 2014, companies will be faced with the challenge of implementing changes to their deferral methods twice in a very short period of time. Differences in the proposed EITF and the IASB ED between the definition of acquisition costs that may be deferred or included in the measurement of the insurance liability will continue to exist, which will create a substantial burden for companies faced with the task of implementing changes to their systems, processes, and financial statements. We believe that multiple changes to deferral practices will create confusion and added complexities for users of financial statements trying to understand insurers' results, and the best solution is to implement a single, internationally converged definition of acquisition costs.

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Additionally, the transition guidance in the EITF provides for an optional retrospective adjustment while the guidance in the IASB ED provides for a write-off of previously deferred acquisition costs. While the industry recognizes that the retrospective adoption may add value and be beneficial for the user of the financial statements, many companies may not have the ability to apply the guidance retrospectively given the potential lack of data available from prior periods. Therefore, many companies may not elect a retrospective adjustment in adopting the EITF. As a result, companies may adopt using different approaches and there will be significant comparability issues with financial statements between companies. These issues will be further exacerbated when a standard is adopted for insurance contracts, potentially creating additional comparability issues within an entity's own financial statements between the time of adoption of this guidance and the IASB insurance contracts standard. We are very concerned about having an extended period where comparability issues impact the user's ability to analyze the insurance industry's results of operations. The ACLI continues to recommend that the EITF and FASB work closely with IASB to reach a converged definition of acquisition costs to be included in the measurement of expected cash flows as part of the joint project on insurance contracts, and defer the finalization of this standard until convergence is achieved.

The models for measuring acquisition costs in both the EITF and the IASB ED are especially disconcerting. Both the EITF and the ED define acquisition costs in a manner that will result in significant diversity in practice depending on the structure of a company's sales force and its policy fulfillment process. Companies that outsource sales through external agents and those that outsource underwriting and fulfillment activities will have a substantially larger percentage of deferrable costs than those choosing to do that work through either employee agents and/or other internal sources. While the cost structure for internal versus external sourcing of processes may differ, the conceptual approach to measurement should be consistent. This would allow organizations to recognize acquisition costs based on their nature rather than the legal structure of how that function is sourced. We also believe that the proposed definition of independent third parties in the proposed EITF in paragraph 944-30-55-1A could create confusion and possibly lead to further diversity in practice for entities utilizing career agency systems, which are comprised of independent agents not considered employees by the entity but do receive employee benefits. These points will be discussed in further detail in our comment letter to the IASB on the ED.

Thank you for the opportunity to express our views regarding this important project. We continue to support the FASB and the IASB in their efforts to reach a high quality, converged accounting standard for insurance contracts. As part of that effort, we recommend to the EITF that the guidance proposed in EITF 09-G be deferred until the guidance can be converged with the IASB and incorporated into a joint standard on insurance contracts.

Sincerely,

Mike Monahan

Director, Accounting Policy