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Via Email: director@fasb.org

November 30, 2010

Technical Director
File Reference No. 1870-100
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No 1870-100

Dear Technical Director:

Ameriprise Financial, Inc., one of the nation's leading financial services companies, appreciates the opportunity to respond to your request for comments on the Discussion Paper, *Preliminary Views on Insurance Contracts* (FASB DP). Through our wholly owned insurance companies we offer fixed and variable annuities, variable universal life, universal life, traditional life, auto, and home insurance contracts, with over \$31 billion in future policy benefits and claims and \$64 billion in separate accounts, this is a relevant and significant issue for our company.

EXECUTIVE SUMMARY

We support the FASB and IASB's (the "Boards") joint project to develop a single comprehensive insurance accounting standard that will provide users of financial statements with a complete and understandable picture of an entity's insurance activities. While we support the ultimate goal of reaching convergence, if the Boards are not able to reach a consensus on a fully converged insurance accounting standard, we would ask you to reconsider the FASB project on insurance contracts. It is well understood that the IASB must pursue this project due to the current lack of a comprehensive international insurance contract standard, but that is not true for U.S. GAAP. Existing U.S. GAAP is robust and well understood by the users of the financial statements. We support either of the following actions:

- Adoption of a fully converged international insurance accounting standard (as discussed below), or
- Retention of existing U.S. GAAP (until the U.S. converts to international standards)

We appreciate the progress that the Boards have achieved, but have concerns that there are key areas that need to be resolved in order to achieve both convergence and a high quality standard. We urge careful consideration prior to issuing a revised standard because if the FASB moves forward without full convergence it will result in having to implement significant changes repeatedly resulting in substantial implementation costs for U.S. entities each time changes are made to the guidance.

We are also concerned about the deadlines that have been set for proposed changes. Unintended consequences may occur if adequate time is not allowed, so we strongly encourage the FASB to take all the time necessary in order to ensure that a high quality standard is issued.

Please find below a summary of our position on the key issues of the proposed insurance contract standard:

- Discount rate – We do not support the proposed approach of using the risk free rate adjusted for illiquidity. We believe the discount rate should be consistent with the insurer’s business taking into account the way the business/products are priced and managed. Please see our response to question 12 below.
- Margin – We support the FASB position of using the composite margin approach (for long-duration insurance contracts). Please see our response to question 8 below.
- Unbundling – We believe the Boards intend for embedded derivatives and goods and services to be unbundled and we understand these components. However, it is not clear to us what other components will need to be unbundled and we request additional clarification. Please see our additional comments in our response to question 6 below.
- Modified approach for certain short-duration insurance contracts – We support the continued application of the existing unearned premium approach. Please see our response to question 19 below.
- Transition – We support allowing a residual/composite margin on business existing at transition. Please see our comments that follow below on the transition provision.
- Presentation – We do not agree with the margin presentation approach as it does not adequately reflect key insurance components (including premium revenues, benefits paid, operating costs and changes in loss estimates) that continue to be relevant regardless of the measurement method, including the building block measurement approach. Please see our response to question 28 below.

Given the significance of the key areas that remain to be resolved, we recommend that the FASB encourage the IASB to release another exposure draft at the same time as the FASB releases its exposure draft for the following reasons:

- It will allow constituents to provide feedback on these undecided critical areas (it is hard to provide quality feedback when so many areas are still being explored), and
- It will align the Boards in an effort to ensure convergence

The following section provides our comments on issues that are not addressed specifically in the Discussion Paper (Transition Provision and Contract Boundary).

Transition Provision

Although the questions in the FASB DP do not address the transition provision provided in the IASB ED, we believe it will be helpful for the Boards to understand our view on this issue. IASB ED paragraph 100 proposes that at the time of transition, the measurement of existing contracts will not include a residual margin (the difference between the existing obligation and the building-block approach, excluding a residual margin, will be an adjustment to retained earnings in the earliest period presented).

- We understand that the proposed transition provision is intended to provide a practical expedient for adoption. As discussed in IASB ED paragraph BC 247, the exercise to determine the residual margin is viewed as burdensome and costly and subject to bias through the use of hindsight.
- However, we firmly believe the disadvantages of this practical expedient far outweigh any perceived benefits.
 - The IASB ED proposed transition provision mixes the results from existing contracts that do not have a residual margin with new contracts that will have a residual margin. An extreme example of this is when there are similar insurance contracts issued just before and just after transition. This inconsistent treatment within the financial statement does not meet the IASB's objective to provide users of the financial statements with an understandable picture of an entity's insurance activities.
 - Due to the long-term nature of many insurance contracts, the impact of not having a residual margin for contracts outstanding at transition will lead to significantly reduced future earnings and ROE, potentially making it difficult for investors to compare insurance entities' financial statements with non-insurance entities. The proposed transition provision will result in the financial statements being extremely misleading to users and will require insurance entities to provide non-U.S. GAAP disclosures on what profits would have been if the inforce block of business at transition had been accounted for with a transition residual margin.
 - We believe the Boards must find a reasonable proxy to a residual margin in order to achieve their goal of providing the users of the financial statements with useful information.
- Viable alternative to the proposed IASB transition provision:
 - We believe a viable option for transition is described in IASB ED paragraph BC 249 – determine a residual margin on transition as the difference (but not less than zero) between (a) the carrying amount of the insurance liability immediately before transition and (b) the present value of the fulfillment cash flows at that date. We do not believe this is the only viable alternative and encourage the Boards to continue to explore other approaches.

Contract Boundary

We understand the principle behind an insurer recording an obligation at the earlier of when the insurer is bound by the terms of the contract or when the insurer is first exposed to risk under the contract.

- However, the application of the principle may incur greater cost than the benefits received from reporting the “at risk” period prior to the issuance of the insurance contract for the following reasons:
 - There is a general lack of information on contracts that have not been issued.

- Without a reasonable estimate of risk, the margins set up when “at risk” prior to the contract being issued will make it difficult to make a reasonable projection of risk.
 - The initial margins may not be “at risk” for the same amount as the final contract.
- If the standard is issued with the proposed language, we recommend that a provision be included to allow the ability to “reset” the margins from when first “at risk” to when the final terms of the contract are known, otherwise there is the potential for distortion of margin information.

In the following section we responded to several of the questions presented in the FASB DP. We have only responded to certain questions that were applicable or concerning to our firm.

Questions and Responses from the FASB DP

Definition and Scope

1. Are the proposed definitions of insurance contract and insurance risk (including the related guidance) understandable and operational?

- Yes, the proposed definition is an established definition that is well understood and operational.

2. If the scope of the proposed guidance on insurance contracts is based on the definition of an insurance contract rather than on the type of entity issuing the contract, would financial reporting be improved?

- We support the scope being based on the definition of an insurance contract instead of the type of entity issuing the contract. It will improve financial reporting to the extent that similar transactions will be accounted for using the same accounting standard. In addition, as markets evolve in a global environment it is likely that more non-insurance entities will enter into insurance contracts increasing the need for products to be accounted for similarly regardless of the type of issuing entity.

3. Do you agree with the proposed scope exclusions? Why or why not?

- We generally agree with the proposed scope exceptions.

4. Should benefits that an employer provides to its employees that otherwise meet the definition of an insurance contract be within the scope of the proposed guidance? Why or why not?

- As a practical expedient, the benefits that an employer provides to its employees should not be included in the scope of the proposed insurance contract standard for the following reasons;
 - It would be burdensome for all employers to apply the proposed complex methodology as most employers typically do not have the expertise or resources to account for insurance contracts.
 - Generally, employers view insurance benefits provided to employees as a form of compensation expense and not as a business endeavor.
- We believe these benefits should continue to be accounted for under current U.S. GAAP as a compensation expense based on the cost of the benefit plan.

5. The Board's preliminary view is that participating investment contracts should not be accounted for within the proposed model for insurance contracts but, rather, should be included in the scope of the proposed model for accounting for financial instruments. Do you agree? Why or why not?

- No comment

6. Do you support the approach for determining when noninsurance components of contracts should be unbundled? Why or why not?

- We support the unbundling of embedded derivatives and goods and services. We believe the Boards should consider not unbundling account balances of deposit-like insurance contracts because these are closely related components and should be measured as part of the insurance contract.
- If the Boards determine that deposit-like account balances should not be unbundled, we believe that the separate account portion of the account balance of variable annuity and variable universal life contracts should be presented separately from the insurance liabilities due to their unique pass-through nature. Specifically, the separate account liabilities should be deducted from the insurance liability and presented as a separate line item. We also believe that the separate account assets should be presented as a separate line item.

Account Balances:

- Insurance contracts are complex products and the interdependencies of their components make it difficult to determine if account balances should be unbundled. For example, we believe the account balances of variable annuity and variable universal life contracts are closely related to the insurance component. That is, the separate account portion of a variable annuity may be interpreted to be closely related to the insurance component because the measurement of the insurance benefit relies on the account balance, resulting in the possible conclusion that it would not be unbundled. We request further clarification on the definition of "closely related" in order to be able to determine which components need to be unbundled.
- Other examples of account balances that are difficult to assess include:
 - An equity index annuity (EIA) insurance contract with a cap on investment returns to the contract holder (e.g., the contract holder only receives up to 8% of the underlying index) would not have the deposit component of the contract unbundled because it does not pass on all investment performance (net of fees/assessments) to the contract holder. This treatment does not appear to be consistent with the intent of unbundling financial components of a contract as the contract holder deposit changes directly with the performance of the underlying investments.
 - A fixed annuity with a guaranteed life-contingent annuity option (that meets the definition of an insurance contract) and a guaranteed minimum interest rate that is not tied to underlying investments. This contract may be viewed as a deposit that is earning interest. Given that the deposit portion earns a minimum interest rate and is identifiable, it does not appear to be closely related to the insurance component. The insurance risk may be identified separately as the amount the insurer will be obligated to pay if the annuitant chooses a life-contingent option with guaranteed payments and they live long enough to receive payments in excess of their account balance (longevity risk). However, it is not clear how the insurance portion of the contract would be valued. The cash outflows are identifiable, but the only cash inflow would be the

account value at time of annuitization. This could qualify as making the deposit-like account balance closely related to the insurance component.

- Another area of unbundling that is potentially confusing is the definition of assessments. In IASB ED paragraph 8(a)(ii), “The crediting rate must pass on to the individual contract holder all investment performance, net of contract fees and assessments.” Is the definition of assessments in the ED intended to align with the definition of assessments in ASU 944-20-15 (formerly SOP 03-1)? These would include assessments for contract administration, mortality coverage, initiation and surrender. In addition, would it include investment margin, similar to assessments including investment margin for contracts that have investment margin in their estimated gross profits?
 - As an example for clarifying the definition of assessments, if you have a universal life contract which credits an explicit return based on the investment performance of a general pool of investments, then if the phrase “net of contract fees and assessments” has the same meaning as found in SOP 03-1, it appears the account balance would be unbundled.

Embedded Derivatives:

- We have a concern regarding a current diversity in practice between existing U.S. GAAP and IFRS based on different interpretations of when an embedded derivative is “clearly and closely related” to the host insurance contract. While this may not relate directly to the insurance contracts projects, in an effort towards convergence, we believe this is an inconsistency that should be addressed either as a separate issue or as part of the insurance contract project.

Policy Loans:

- We recommend that the proposed insurance contract standard specifically address policy loans to avoid inconsistent interpretation of whether this component must be unbundled. In current practice there is diversity because insurance entities vary on whether they view the loans as part of the insurance contract or as a financial instrument. This is evidenced by the lack of consistency in reporting policy loans under ASU 825-10-50 (formerly FAS 107).
- Further, we recommend that policy loans not be unbundled because they are closely related to the insurance contract for the following reasons:
 - Policy loans are issued to policyholders as part of the terms of the insurance contracts (unlike financial instruments where the issuing entity has discretion over making the loan).
 - Policyholders are under no obligation to repay the loan until the policy either surrenders due to lack of premium payment or the death benefit is paid, and then the proceeds from the insurance policy will be used to repay the loan.
 - In cases where the insurance coverage on the policy will lapse if the premium is not paid, policy loans are automatically advanced to pay for the premium.

Recognition and Measurement

7. Do you agree with the use of the probability-weighted estimate of net cash flows to measure insurance contracts? Does that approach faithfully represent the economics of insurance contracts? Is it an improvement over existing U.S. GAAP?

- We agree with the use of probability-weighted estimate of net cash flows to measure insurance contracts. We recommend that clarification be provided in regards to calculating probability-weighted estimates by including the following:
 - In some cases, relatively simple modeling may provide an answer within a tolerable range of precision without the need for a large number of simulations. In other cases, more complicated modeling such as stochastic modeling may be required to produce the appropriate cash flows.

8. Do you think that an entity's estimate of the net cash flows should include a risk adjustment margin?

- As a member of the ACLI, we support the majority view expressed in the ACLI comment letter dated October 26, 2010 "Insurance Contracts Exposure Draft (ED) – explicit margins (risk/residual vs. composite) Questions 4-6".

9. Is the objective of the risk adjustment margin understandable? If so, do you think that the techniques for estimating the risk adjustment margin (see paragraph 52(b)), faithfully represent the maximum amount that the insurer would rationally pay to be relieved of the risk that the ultimate fulfillment cash flows exceed those expected?

- The objective of the risk margin adjustment is understandable.
- The three techniques proposed are adequate for current products, but as evidenced by the inclusion of three models there is a need to be flexible in the use of techniques in order to address differences between products.
- We recommend the final standard be principle based in order to provide flexibility to meet future changes in product design and not restrict the use of techniques to only the three techniques in FASB DP paragraph 52(b).

10. Do you think that the risk adjustment margin would be comparable for entities that are exposed to similar risks?

- We do not believe the risk adjustment margin would be comparable due to entity specific assumptions.

11. Do you agree with the description of cash flows that should be included in the measurement of an insurance contract? Is the proposed guidance operational?

- We agree with the description of cash flows that should be included in the measurement of an insurance contract except for acquisition costs which we have addressed in question 13 below. In particular, the list included in IASB ED paragraph B61 is operational. However, it would be helpful to include language similar to ASU 944-30-35-5(e) (formerly FAS 97 paragraph 23(e)), "Other expected assessments and credits, however characterized" as this will allow for new types of cash flows as insurance contracts evolve over time.

12. Do you agree that the carrying amount of all insurance contracts should be discounted if the effect is material? Do you agree with the proposed guidance on the discount rate that should be used to measure the carrying amount of insurance contracts? If not, which discount rate should be used?

Short-Duration Insurance Contracts:

- We do not agree that the carrying amount of short-duration insurance contracts should be discounted; please see response to question 19 below.

Long-Duration Insurance Contracts:

- As a member of the ACLI, we support the view expressed in the ACLI comment letter dated November 17, 2010 “Discount rate-Insurance Contracts Exposure Draft (ED) – Question #3 & Preliminary Views on Insurance Contracts (DP) – Question #12”

13. Do you think that acquisition costs should be included as one of the cash flows relating to the contract? If not, how would you account for acquisition costs?

- We agree that acquisition costs should be included as one of the cash flows relating to a portfolio of insurance contracts.
- We support the recent definition of deferrable acquisition costs found in ASU 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (a consensus of the FASB Emerging Issues Task Force)* and recommend incorporating the guidance from ASU 2010-26 regarding the types of expenditures which qualify as acquisition costs without any additional changes. We believe the insurance industry devoted sufficient time and effort to this definition and further deliberation is not needed.

14. Do you agree that acquisition costs included in the cash flows used in the measurement of the insurance contract should be limited to those that are incremental at the individual contract level? If not, which acquisition costs, if any, would you include in the measurement of the insurance contract?

- Please see response above to question 13.

15. Do you agree with the use of either the composite margin approach or two-margin approach to measure the net insurance contract? Does either approach faithfully represent the economics of insurance contracts? Is either approach an improvement over the measurement used in current U.S. GAAP?

- As a member of the ACLI, we support the majority view expressed in the ACLI comment letter dated October 26, 2010 “Insurance Contracts Exposure Draft (ED) – explicit margins (risk/residual vs. composite) Questions 4-6”

16. Do you think that the composite margin should be recognized in earnings in subsequent periods using the ratio described in paragraph 83? If not, how would you recognize the composite margin in earnings?

- We do not agree with the use of the ratio described in paragraph 83. We believe a principle based approach that aligns the run-off of the composite margin with the insurer’s release from risk is more appropriate.

- Also, we believe it would be a better reflection of the underlying business economics if the composite margin served as a buffer for assumption changes, which are currently proposed to flow through net income as they occur.
 - Under the proposed composite margin approach, if an insurer increases its mortality assumption on life insurance, it would record a loss in the current period and continue to show the same level of profit going forward since the composite margin is locked in.
 - We believe a better approach would be to reflect lower profit in future periods by decreasing the composite margin, thus reflecting that a change in assumptions impacts current and future periods.
- We also believe that if the Boards decide to use an explicit risk margin with a residual margin, the residual margin should serve as a buffer for assumption changes for the same reasons as stated above for the composite margin.
- We do not have a specific suggestion as to how to implement using the composite margin as a buffer, but we believe this approach makes sense as opposed to taking a loss in the current period and then having income in subsequent periods from the release of the margin.

17. Do you agree that interest should not be accreted on the composite margin? Why or why not?

- We agree that interest should not be accreted on the composite margin.

18. Do you think that all insurance contracts should be recognized and measured using one approach or that some insurance contracts should be recognized and measured using an alternative approach (for example, the modified approach)? Why or why not?

- The nature of short-duration insurance contracts is significantly different from long-duration contracts and we feel it is appropriate that an alternative approach be applied to these insurance contracts. Please see response to question 19 below for further discussion on the alternative approach that we recommend.

19. If an alternate approach is required for some insurance contracts, what recognition, measurement, and presentation provisions should be applied (including those items noted in paragraph 106)?

- While we agree that the proposed modified approach will provide relevant and decision-useful information for users of the financial statements, we do not agree that it is any more decision-useful or relevant than the information currently provided for short-duration insurance contracts under existing U.S. GAAP for the following reasons:
 - The current unearned premium approach is easy to understand and provides transparent information to the users of the financial statements.
 - Due to the short-term nature of these insurance contracts the addition of discounting pre-claim obligations adds complexity without providing users with more useful decision making information.
- Also, the modified approach does not meet the IASB Board's objective of achieving the same result as the building block approach at a lower cost. The modified approach requires continuous assessment for adequacy of the liability which involves computing the fulfillment cash flows (using the building block approach, including an explicit risk margin), therefore the same complex calculations are required regardless of the measurement approach.
- We recommend retaining current U.S. GAAP for short-duration insurance contracts.

20. Do both the building-block approach and the modified approach (with the latter approach applied only to certain short-duration contracts) produce relevant and decision-useful information? Why or why not?

- We believe that both the building-block approach and the modified approach produce relevant and decision-useful information.
- The building-block approach provides users of the financial statements with information on drivers for changes in insurance contracts and the obligations to contract holders. Users will be able to see the development of changes within the margins. Users will also be able to isolate changes from estimates in cash flows from expected profits. However, we are concerned that the information may not be as useful as expected for long-duration contracts because changes in discount rates and other valuation assumptions will result in short-term volatility making it difficult to identify the development changes in the margins.
- In regards to the modified approach, please see response to question 19 above.

21. How should the scope of insurance products for each approach be defined (for example, duration of coverage period, duration of claims payment period, or type of insurance)?

- We recommend that the scope of each approach (i.e., the building block approach and the modified approach or other alternative approach) be based on the duration of the insurance contract; long-duration and short-duration.
- We feel that the definition of short-duration found in IASB ED paragraph 54 is clear. That is, short-duration contracts meet both of the following conditions:
 - The coverage period of the insurance contract is approximately one year or less
 - The contract does not contain embedded options or other derivatives that significantly affect the variability of cash flows, after unbundling any embedded derivatives in accordance with paragraph 12.
- We do not recommend that the scope be based on product type as there will be inherent inconsistency as new products that are not specifically addressed in the standard are developed.

22. Are there specific types of insurance contracts for which the approaches would not provide decision-useful information?

- No comment

23. What are the implications of the recent U.S. healthcare reform to the application of the proposed contract boundary principle, including whether health insurance contracts written under the new reforms would meet the conditions in the proposed guidance to be accounted for under the modified approach?

- No comment

24. What other changes should be considered to both improve and simplify U.S. GAAP for short- and long-duration insurance contracts?

- No comment

25. What are the incremental costs of adopting the alternatives described in this Discussion Paper? Please separately describe one-time costs and ongoing costs.

One-time costs:

- The proposed guidance will result in significant one-time costs due to the magnitude of changes, but we will not be able to quantify how significant those costs will be until the key open issues have been resolved. We do know that there will be a large training effort to educate the employees (actuaries, accountants, technology) as well as the investor community impacted. The proposed changes will impact multiple administration systems, data feeds, actuarial valuation systems and general ledger, as well as forecasting and reporting tools which will result in significant systems costs. Also, our processes and internal controls will need to be revised to capture the changes in data, systems, modeling and disclosures. In addition, we will need to consider the impacts to our earnings analysis, financial metrics, pricing and product design as well as capital management.

Ongoing costs:

- There will also be additional on-going costs due to the detailed disclosures proposed which are at a much more granular level within tight reporting deadlines.

Reinsurance

26. The scope of the proposed guidance includes reinsurance contracts that an insurer issues or acquires. However, insurance contracts held directly by other contract holders would be excluded from the scope of the proposed guidance. Do you agree with this exclusion? Why or why not?

- We agree with this exclusion.

27. Should there be symmetry between the recognition and measurement of reinsurance contracts and the underlying contract ceded?

- We believe that the same principles should be applied to both insurance and reinsurance contracts. We do not agree that the measurement of the ceding entity and the reinsurer will be symmetrical due to entity specific assumptions which reflect the differences in how the ceding entity and the reinsurer view the business. And in general, we do not agree that a ceding entity should be allowed to take a day one gain at the inception of a reinsurance contract.
- On a separate reinsurance matter, we request that further clarification be provided on the initial recognition of a reinsurance contract. Taken literally, recognition of a reinsurance contract would technically require an estimate of all the future cash flows under that contract. If there is a reinsurance contract that covers underlying contracts to be written in the future, we believe it should be made clear that the reinsurance accounting related to that underlying contract would not be recognized until the direct insurer was at risk (i.e., the reinsurer does not have risk until there is a direct underlying contract that creates risk).

Presentation and Disclosure

28. The margin presentation approach highlights the changes in the insurance liability, rather than the current approach in U.S. GAAP, which presents, among other items, premium revenues, benefits paid, operating costs, and changes in loss estimates. Would this change improve your understanding of the performance of an entity that provides insurance (for some types of insurance or for all)? Please explain.

- We do not agree with the margin presentation approach as it does not adequately reflect key insurance components (including premium revenues, benefits paid, operating costs and changes

in loss estimates) that continue to be relevant regardless of the measurement method, including the building block measurement approach. We believe if these key components are no longer presented in the financial statements, but instead are only reported as disclosures in the footnotes, it would de-emphasize the importance of these cash flow components to users of the financial statements. We believe that an approach that emphasizes these key components should be pursued after the measurement models have been determined as the measurement model(s) will influence our comments on presentation.

29. Should insurance contracts measured under the building-block approach be presented using a margin presentation approach or a premium presentation approach that would require a true-up amount as described in paragraph 119 (for example, the written allocation presentation approach or the allocated premium presentation approach)?

- See answer to #28 above.

30. Should short- and long-duration (or nonlife and life) contracts be presented in a similar manner even if such contracts are measured under different approaches?

- See answer to #28 above.

31. Do you agree with the proposed disclosures in the IASB's Exposure Draft? Why or why not? If not, what would you recommend and why? [IASB ED paragraphs 79 – 97]

- We agree that more robust disclosures on insurance contracts and the risks arising from those contracts will provide information useful to the users of the financial statements in understanding the amount, timing and uncertainty of future cash flows. However, we do not agree that the proposed disclosures meet Board's stated objective, in fact the sheer amount of information may be distracting to most users and of limited benefit to other users. Given the cost of implementing and maintaining these disclosures, these should be reassessed.
- Additionally, we have a concern that some of the disclosures will require us to release information that is considered to be proprietary, including:
 - Providing quantitative information about the inputs for the measurements, and
 - Disclosures on summary quantitative information about risk exposure based on information provided internally to key management personnel about risk management techniques and methodologies.

Summary

We appreciate this opportunity to provide you with our comments on the proposed changes to the FASB DP. We support the FASB's goal of a fully converged standard; however, in the event that full convergence is not reached we do not believe changes should be made to U.S. GAAP at this time. We are concerned that if the Board moves forward without full convergence it will result in having to implement significant changes more than once resulting in substantial implementation costs for U.S. entities each time changes are made to the guidance. We also believe that the U.S. can wait to convert to international standards before making any major changes because existing U.S. GAAP is robust and well understood by the users of the financial statements and is no less relevant or useful than the proposed guidance.

We are also concerned about the deadlines that have been set for proposed changes. Unintended consequences may occur if adequate time is not allowed for further field testing on key issues such as transition provisions, margins, discount rates and unbundling. We strongly encourage the Board to take all the time necessary in order to ensure that a high quality standard is issued.

Thank you for your consideration of our comments on these very important matters. If you have any questions, comments or would like further information, please contact me at (612) 678-4769.

Sincerely,

A handwritten signature in black ink, appearing to read "David K. Stewart". The signature is written in a cursive, flowing style.

David K. Stewart
Senior Vice President & Controller