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Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
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RE: File Reference No. 1890-100

Genworth Financial appreciates the opportunity to comment on the FASB Discussion Paper, *Effective Dates and Transition Methods* (the discussion paper). Genworth Financial, Inc. is a leading financial security company dedicated to providing insurance, wealth management, investment and financial solutions to more than 15 million customers, with a presence in more than 25 countries.

We recognize the Financial Accounting Standard Board's (the FASB or board) objective to improve U.S. Generally Accepted Accounting Principles (U.S. GAAP) by developing new accounting and reporting standards in partnership with the International Accounting Standards Board (IASB) and through making other, targeted improvements to US GAAP. The magnitude of these changes requires careful consideration of the impacts to financial statement preparers and users so as to minimize any disruption to the global financial markets.

As both a preparer and user of financial statements under U.S. GAAP, the potential changes outlined in the discussion paper will have an unprecedented impact on our company. The joint projects undertaken by the FASB and IASB that relate to insurance contracts and financial instruments, if adopted, will fundamentally change the way our business is viewed, and could impact the way our business is managed and priced. We may be faced with accounting models and financial statements that are vastly different from their current forms. In addition, how we manage our business and present it to stakeholders could change, requiring new forecasting, planning and other financial models. The projects will have extensive operational impacts as well, from changes to our numerous pricing, valuation, financial and investment systems. Additionally, we will be impacted from the perspective of a user of financial statements, as we are a long-term investor in corporate debt of U.S. public companies that uses U.S. GAAP financial statements to make investing decisions.

The following provides our views on several topics of the discussion paper. While the discussion paper does not ask for specific feedback on timing and costs to adopt for the insurance contracts project, we have included such in our discussion because of the significant impact it could have on our company.

### **Time Needed to Adopt the Proposed Changes**

The financial instruments and insurance contracts standards should be adopted at the same time. Accordingly, the direction the FASB chooses for the insurance contracts standard should drive the time required to adopt both standards. If the FASB adopts a comprehensive accounting standard for insurance contracts, it will take at least three years from the finalization date to implement. A shorter time-frame of two years may be possible if the FASB chooses more limited changes to U.S. GAAP through improvement of existing insurance accounting standards. We expand on the drivers of this timeframe in the next two sections.

The proposed standard on leasing, if unchanged, would likely take us up to two years to adopt, as we will be faced with recording hundreds of leases on-balance sheet for the first time and developing a new administrative system for capturing and reporting this activity. The revenue recognition and statement of comprehensive income proposals could likely be adopted by us in eighteen months to two years. The timing for the financial statement presentation and financial instruments with characteristics of equity projects will depend on the degree and nature of ultimate changes.

### **Costs of Adopting the Proposed Changes**

The projects outlined in the discussion paper would require significant resources to implement over a multi-year time span, while overlapping with other major changes to the broader financial reporting system such as Solvency II, the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) and changes to U.S. regulatory reporting for insurance companies. As a result, we expect to incur significant third-party expenses which add to the significant cost of implementation. While it is difficult to estimate total costs at this stage, we estimate the costs would be approximately \$10 million if all changes proposed by the board are adopted.

Significant costs we expect to incur (in order of magnitude) include:

System re-designs – Our most significant cost driver. We have dozens of financial, actuarial and investment systems, both internal and from third-parties, that would need to be modified to accommodate the changes, mainly driven by the insurance contracts project. Additionally, a new system may be needed to accommodate the proposed changes in the leases exposure draft.

Training & education – Extensive training will be required for accounting, finance, tax, audit and actuarial professionals as well as investors and other external stakeholders. These costs impact us as both a preparer and user of financial statements.

Process re-design and project management – Teams for each joint FASB/IASB project will coordinate the many and far-reaching impacts of new accounting standards across the global organization. Teams will be involved in all phases, from development and strategy, to design and implementation as well as corporate governance, oversight and communications. All these changes would need to occur under Sarbanes-Oxley 404 with controls designed, documented and tested.

External consulting fees – We lack the manpower to implement many of the proposed changes; external auditing and consulting fees have already been incurred and will continue for many years.

Legal Costs – These costs could include legal fees associated with contract reviews and changes related to debt covenants, reinsurance treaties, as well as intercompany and other agreements.

### **Impacts to the Broader Financial Reporting System**

The proposed changes to U.S. GAAP will have an impact on regulatory reporting for U.S. insurance companies, as regulators consider all new U.S. GAAP guidance and decide whether it should be adopted

or rejected for statutory accounting. The proposed changes will impact many sections of U.S. GAAP that have been incorporated into the U.S. statutory accounting framework.

### **Proposed Timing for Adoption**

It is difficult to theorize the timing and methods of adoption when many of the proposed changes are currently under development or being re-deliberated by the board. The board's decision on how to proceed with the insurance contracts discussion paper will greatly impact the feasibility of any timeline from the perspective of the insurance industry. Additionally, our company is faced with numerous other changes to our financial reporting framework that will extend the time needed to implement any changes to U.S. GAAP. These other changes include the potential adoption of new life insurance reserving requirements for U.S. statutory accounting, Solvency II, the adoption of International Financial Reporting Standards by our non-U.S. entities and ongoing implementation of the provisions of the Dodd-Frank Act. We will provide feedback under the assumption that a comprehensive standard is adopted for insurance contracts and all these other changes occur during the adoption timeline.

Our view is the insurance contracts, financial instruments, leases and revenue recognition projects are too inter-related to consider a staggered approach. If the board finalizes these projects, we recommend a single adoption date, which should also include the statement of comprehensive income project. This approach will provide benefits to users, as it will minimize the impact on comparability when compared to a staggered approach.

Assuming all these standards are finalized before the end of 2012, an adoption date of January 1, 2016, is most appropriate considering the volume of proposed changes to U.S. GAAP along with other changes to the broader financial reporting system. In selecting this date, we considered the impact of the insurance contracts project to our industry, the impact that financial instrument changes may have on all financial services companies and the impacts the leases and revenue recognition projects will have on other industries. An adoption date of 2016 will provide adequate time for entities to make operational and process changes, address practice issues, and learn how to understand and analyze their results.

We appreciate the opportunity to comment on the discussion paper. If there are any questions regarding this letter or you wish to discuss our comments and recommendations, please contact me at (804) 662-2685 or Matt Farney, our accounting policy leader, at (804) 662-2447.

Sincerely,



Amy R. Corbin  
Vice President, Controller and Chief Accounting Officer