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International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
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Technical Director
Financial Accounting Standards Board
401 Merritt 7
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Norwalk, CT 06856-5116

Re: IASB Supplemental Document: *Financial Instruments: Impairments*
FASB File Reference No. 2011-150: *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities: Impairment Supplementary Document*

Aflac welcomes the opportunity to share with you our views regarding the joint Supplementary Document (SD) on Impairments. Below we offer our general comments on the proposed update.

Aflac sells supplemental insurance products in the US and Japan and is the world's leading underwriter of individually issued policies marketed at worksites. Over 75% of Aflac's business is sold through its branch operations in Japan. Since Aflac is listed on the Tokyo Stock Exchange, Aflac will be required to adopt International Accounting Standards or IFRS for its regulatory filings in Japan in the near future.

General Comments

Aflac supports the Boards' convergence efforts. We acknowledge that Impairments is a major topic that needs to be converged. However, it seems premature to attempt convergence on this issue before there is convergence on classification and measurement. The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) have taken different approaches with

their reporting models for financial instruments. Even in this jointly issued SD, there are differences. Overall, there are many differences yet to be worked out in order to reach a converged financial instruments standard and we strongly encourage the Boards to work together to reach this goal. Otherwise, global companies such as Aflac that have local regulatory requirements will be required to keep multiple sets of books leading to additional complexity.

It is very difficult to comment on the additional proposed impairments guidance when the FASB's guidance on classification and measurement of financial instruments is not yet final and the Board is constantly amending its initial proposal via re-deliberations and tentative conclusions. The application of this proposed guidance depends heavily on the classification and measurement of an instrument. The FASB's SD applies to loans and debt securities measured at Fair Value through Other Comprehensive Income (FV-OCI) and amortized cost. The IASB's SD applies to financial assets managed at amortized cost. In either of these categories, the use of an allowance account may cause conflicting results. For example, it seems illogical to recognize a loss through an allowance account when there is a gain based on the fair value of an asset. We are also concerned about the double-counting of losses of instruments measured at FV-OCI as losses will be recognized in both the allowance and on the Statement of Other Comprehensive Income (SOI). Another factor that makes it difficult to diligently comment on the SD is that several things are not discussed in the SD. The FASB's SD does not address transfers from the "bad book" to the "good book". Neither the FASB's nor IASB's SD addresses interest income recognition, presentation and disclosure requirements, and most importantly, how to calculate the expected losses.

Based on the limited information that is provided in the SD, we believe that there are definitely operational challenges with the SD. We believe calculating two different impairment amounts and choosing the one that yields the higher impairment for instruments in the good book, while taking the full impairment for instruments in the bad book would be a very difficult task to perform in any investment software system. While we believe this "good book versus bad book" method may be difficult to apply to items managed in portfolios, we believe that it is not feasible at all for singly managed instruments. Another challenge will be determining the proper foreseeable period; a challenge that only increases if applied to single instruments. These changes would require extensive system, process, and policy modifications, require increased staff, and perhaps reduce comparability among entities.

We understand the Boards' objective to have one impairment model and believe that while it may be ideal, it may not be feasible. It seems that most of the proposed guidance was written to be consistent with the way banks manage their investments. As an insurance company, the way we manage our financial instruments is quite different and will likely and should yield different accounting results. Perhaps the proposed method will work for banks or other entities that manage their financial assets in open portfolios, but we are certain that it will not work for us on a single instrument basis. Aflac uses the specific identification method to determine impairments. In fact, it seems that the FASB agrees that individual analysis is the best method for evaluating assets. In the IASB *Basis for Conclusions on the supplementary document Financial Instruments: Impairment*, in BC24 it states that "...the FASB believed that debt securities will more often have unique risk characteristics that will result in their being evaluated individually." We believe that individually evaluating our investments will yield a more

accurate impairment. Our credit analysts routinely monitor and evaluate the difference between the amortized cost and fair value of our investments. Also, certain credit issues or events, such as a credit rating downgrade, may trigger more intensive monitoring to determine whether a security is credit impaired. This credit evaluation process is quite rigorous and we feel that the amount of impairment recorded under this method would be equal to the amount that we would book under the bad book. However, our method results in a more timely and accurate impairment because our credit analysis is based on actual default rates and issuer specific information rather than credit spreads which incorporate market liquidity risk and market volatility that may not equal actual credit losses.

If this SD was imposed upon singly managed instruments, it would force entities to report on a basis that does not match the way they manage their credit risks. Entities would be forced to group debt securities into arbitrary groupings for the sake of complying with the guidance. Otherwise, the operational complexities caused by this SD would be too burdensome to apply to individual instruments. While we understand the Boards' objective to prevent the "too little too late scenario", we are concerned that the proposed method applied to individual securities coupled with the proposed classification and measurement guidance may be "too much too soon."

Sincerely,

A handwritten signature in black ink, appearing to read "June P. Howard". The signature is written in a cursive, flowing style.

June P. Howard
Senior Vice President and
Chief Accounting Officer