December 15, 2010

Technical Director
Financial Accounting Standards Board
401 Merrit 7
Norwalk, CT 06856-5116

Re: Discussion Paper (DP) – Preliminary Views on Insurance Contracts
File Reference No. 1870-100

Prudential Financial Inc. (the “Company”) appreciates the opportunity to provide comments on the above referenced discussion paper. Prudential Financial is a financial services leader with approximately $750 billion of assets under management at September 30, 2010 and has operations in the United States, Asia, Europe and Latin America. The Company’s insurance businesses, which primarily offer life insurance, annuities and other products, are insurance industry leaders in the United States and Asia. Accordingly, the Company is very interested in the FASB’s Insurance Contracts project as well as its relationship to the IASB’s corresponding project.

Our vision of a global insurance standard remains focused on the following three important principles: 1) financial statements should be relevant to their users and enhance comparability among issuers; 2) financial results should correspond to the economics of the business and how business activity is managed. With respect to this second principle, the Company believes that there should be a strong linkage to fulfilling our insurance obligations and the corresponding investments we hold to fulfill such obligations, and 3) any movement to a new insurance accounting standard should be cost effective to operationalize especially when weighed against the benefits to be derived by the user communities.

Overall, the Company is supportive of the FASB’s and IASB’s goal of achieving a converged standard for accounting for insurance contracts. However, given a) the significant concerns we have with the current proposals outlined below, b) the current divergence in proposed accounting for financial instruments and insurance contracts, and c) the existence of comprehensive standards for insurance accounting in the United States, we believe that the most appropriate improvement to U.S. GAAP would be targeted changes to address specific concerns about U.S. GAAP.
We believe that in order for financial statements to serve effectively in communicating the results of business strategies to investors, they must enjoy credibility among the financial community. We are concerned that an accounting model not grounded in historical and documentable measures such as premiums and fees received from customers, but rather based on company models that incorporate assumptions for discount rates and margins, is likely to present significant challenges in comparability of results across companies, irrespective of the implementation costs of such an approach. This, coupled with the remeasurement of liabilities each quarter based on market-related changes such as discount rates, may substantially reduce or eliminate the usefulness of financial statements to investors desiring to evaluate company performance. Under current U.S. GAAP, we experience significant financial statement volatility related to our accounting for variable annuity products with certain guarantees. This volatility has created significant challenges in presenting and explaining our financial results. The proposed remeasurement of all long term insurance liabilities will significantly exacerbate those challenges. Among the potential adverse consequences could be higher costs of capital and financing costs for insurance companies, leading to increased costs for insurance consumers or potentially inhibiting the sale of certain socially desirable long duration products, such as retirement-focused annuities.

We appreciate the FASB's measured and deliberate approach to the Insurance Contracts project, which recognizes the significantly different starting points of the two boards. Due to the potentially sweeping changes contemplated in this Discussion Paper, we believe that sufficient field testing, including resource and cost assessments, should be done on key elements of the proposal prior to issuance of a final standard. Also, the logistics of implementing such a standard are challenging, including building controlled models that can produce the results and the necessary attributions of change within the required financial reporting deadlines. As such, we believe that a significant amount of time will be needed between finalizing a new standard and the required effective date for its implementation.

Given the critical inter-relationship between assets and liabilities in the pricing and management of long duration life insurance liabilities, we believe that the measurement model for insurance contracts should be fully coordinated with the measurement model of the Financial Instruments standard. This will ensure that insurers’ financial statements appropriately reflect the economics and management of their business.

Lastly, we have a general concern that the IASB and FASB may not reach a converged standard for both financial instruments and insurance contracts. We encourage the Boards to continue their efforts in this area. Absent full convergence of these critical standards, we believe that making targeted improvements to current U.S. GAAP is the most optimal and practical solution.

With respect to comments on the specific proposals for insurance accounting, attached is a comment letter that Prudential Financial recently submitted to the IASB regarding its related
Exposure Draft on Insurance Contracts (see Attachment A). Given the coordinated approach of the IASB’s and FASB’s projects on insurance contracts, the comment letter reflects our views on the more significant components of the currently proposed insurance accounting models, which are summarized below:

- **Initial Measurement**: We support the concept of a building block approach to initially measuring insurance contracts, including explicitly separating out current best estimate cash flows from margins.

- **Subsequent Remeasurement**: We do not support the current remeasurement of long term insurance liabilities, including using updated discount rates. We believe such a model would not provide useful information and would introduce extraordinary operational challenges that would not be cost beneficial to implement. Instead, we prefer an amortized cost model that would call for updated cash flow assumptions less frequently (e.g. annually) with the impact of changes in cash flow assumptions reflected in the composite margin.

- **Discount Rate**: We do not support the discount rate being comprised of a risk free rate plus a liquidity adjustment. We believe the discount rate should reflect the strong linkage between the insurance liabilities and the assets held to fulfill such liabilities (e.g. an asset earned rate), which would be consistent with how the business is priced and managed.

- **Margins**: We support the use of a single composite margin as proposed by the FASB.

- **Acquisition Costs**: We support the FASB’s recent update to the definition of acquisition costs as compared to the IASB’s incremental cost approach.

- **Modified Approach (Short Duration contracts)**: We support the use of a modified approach for short duration contracts and believe that current U.S. GAAP is best suited for this purpose.

- **Transition**: While the FASB discussion paper does not address transition, we do not support the transition approach proposed by the IASB, as we feel this will inappropriately eliminate the recognition of future profit on existing business. We believe that there are practical means to determine a residual margin upon transition that would provide for more meaningful financial reporting.

- **Presentation**: We prefer an approach based on premiums and fees collected from customers (i.e. premium presentation approach).
Please refer to Attachment A for a more comprehensive discussion of our views on the currently proposed insurance accounting models.

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We appreciate the opportunity to comment on the FASB’s “Preliminary Views on Insurance Contracts” Discussion Paper. We hope that you find our comments informative and useful. Should you have any questions or desire further clarification on any of the matters discussed in this letter (including Attachment A), please contact me at (973) 802-3555.

Sincerely,

Robert Axel
Vice President-Deputy Controller

Enclosed - Attachment A
November 30, 2010

Sir David Tweedie
Chairman, International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

Re: Exposure Draft – Insurance Contracts

Dear Sir David Tweedie:

Prudential Financial Inc. ("Prudential Financial") appreciates the opportunity to provide comments on the above referenced exposure draft. Prudential Financial is a financial services leader with approximately $750 billion of assets under management at September 30, 2010 and has operations in the United States, Asia, Europe and Latin America. The Company’s insurance businesses, which primarily offer life insurance, annuities and other products, are insurance industry leaders in the United States and Asia. Accordingly, Prudential Financial is very interested in the IASB’s Insurance Contracts project.

Prudential Financial’s vision of a global insurance accounting standard remains focused on three important principles: 1) financial statements should be relevant to their users and enhance comparability among issuers; 2) financial results should correspond to the economics of the business and how the business activity is managed. With respect to this second principle, Prudential Financial believes that there is a strong linkage between fulfilling our insurance obligations and the investments we hold to fulfill such obligations, and 3) any movement to a new standard should be cost effective to operationalize especially when weighed against the benefits to be derived by the user communities.

Overall, Prudential Financial is supportive of the IASB’s efforts to provide a comprehensive global accounting standard for insurance contracts. In particular, we support the IASB’s and FASB’s goal of achieving a converged standard for accounting for insurance contracts. Despite the theoretical appeal of many of the concepts embedded in the IASB’s Exposure Draft, we do not believe it sufficiently satisfies the principles explained above.

We believe that in order for financial statements to serve effectively in communicating the results of business strategies to investors, they must enjoy credibility among the financial community. We are concerned that an accounting model not grounded in historical and documentable measures such as premiums and fees received from customers but rather based
on company models is likely to present significant challenges in comparability of results across companies. This, coupled with the remeasurement of liabilities each quarter based on market-related changes such as discount rates, may substantially reduce or eliminate the usefulness of financial statements to investors desiring to evaluate company performance. Among the potential adverse consequences could be higher costs of capital and financing costs for insurance companies, leading to increased costs for insurance consumers or potentially inhibiting the sale of certain socially desirable long duration products, such as retirement-focused annuities.

Due to the sweeping changes proposed in this Exposure Draft, we do not support the issuance of this proposed standard in its current form and are concerned that there may be a rush to issue a final standard based on an artificially imposed deadline. We believe that sufficient field testing, including resource assessments and accompanying costs should be done on key elements of the proposal prior to issuance of a final standard. Also, given the logistics needed to prepare for and implement the new standard, e.g., building controlled models that can produce results and the necessary attributions of change within the required financial reporting deadlines, we request that considerable thought be given to providing a sufficient amount of time between finalizing the standard and the required effective date for its implementation.

Given the critical inter-relationship of investments in the management and pricing of long duration life insurance liabilities, we believe that the IASB should take a more coordinated approach between the Insurance Contracts standard and the Financial Instruments standard. For example, we believe there should be an amortized cost measurement model option for insurance contracts. This would afford insurance contracts the same option currently provided for more liquid financial instrument liabilities (covered by the financial instruments standard) and provide for consistent treatment of these products.

Lastly, we have a general concern that the IASB and FASB may not reach a converged standard for both Financial Instruments and Insurance Contracts and encourage the Boards to continue its efforts in this area.

Summarized below are areas of the Insurance Contracts proposal that we support and the areas where we have significant concern.

Areas of Support:

- We support the concept of the building block approach to the measurement of insurance contracts. This approach is reasonable given the nature of insurance, which is a promise to fulfill obligations to customers.

- We agree with the building blocks approach to the initial measurement of life insurance liabilities, including explicitly separating out current best estimate cash flows from margins.
• We support the notion of not recognizing a “day 1” gain but potentially recognizing a “day 1” loss.

• We concur with the criteria for derecognition.

Areas of Primary Concern:

• We are concerned with the proposed measurement model. This model would require the current remeasurement of insurance liabilities (including updated discount rates) which is inconsistent with the economics of life insurance contracts or how the business is managed. We believe that the disconnect between this measurement and the long-term nature of the business is exacerbated by the proposed inclusion of the impact of the current remeasurement within Profit and Loss, rendering the income statement essentially useless as a means for measurement of business trends and a barometer of potential returns of in-force business. We are concerned that this remeasurement will produce artificial volatility as a result of short-term market movements that have little or no relevance to the ultimate cash flows associated with a pool of insurance contracts and related long-term investments. Furthermore, the proposed measurement model unnecessarily introduces extraordinary operational challenges and substantial costs, particularly within the actuarial infrastructure of insurance companies, primarily with respect to the need for ongoing remeasurement.

• We have concerns with the proposal for determining the discount rate for nonparticipating contracts. First, we believe the proposal disregards the linkage between the insurance liabilities and the assets held to fulfill such liabilities in determining the appropriate discount rate to use. As such, we feel that the proposal does not reflect the underlying economics of the business, which is priced and managed, based on, among other things, the earned rate of the assets that will fulfill the liability.

In addition, under the current proposal, we are concerned that there is a lack of guidance provided to determine the liquidity premium. Therefore, we feel that this may result in a lack of consistency in determining this item and make comparisons among companies difficult. Lastly, we believe that only a small liquidity premium may emerge, thus creating potential artificial day 1 losses especially for long duration contracts. This disconnect between pricing, the assets supporting insurance liabilities and the risk free based rates for discounting liabilities is a clear distortion of the insurance business model.

• We are concerned about the transition rules. We understand that determining liability balances at transition will be challenging. However, we are concerned that failure to include a residual margin at transition would compromise the ability to report meaningful results by not reflecting the profitability of in-force contracts. We are also
concerned that this disparate treatment of pre-transition and post-transition eras of business would lead to substantial comparability challenges among companies with larger established blocks of business and newer companies, and between companies that undergo business combinations and those that do not. In addition, significant disclosures would be required to explain differences in profitability between pre- and post-transition business. We believe that there are practical means of calculating a residual margin that would generate more meaningful results than essentially eliminating future profits on in-force contracts.

- We feel that the definition of acquisition costs is too limiting and thus can create significant day 1 losses arising from expenses properly included in the pricing of the contract and reasonably expected to be recovered from predictable revenues. Also, being a company subject to U.S. GAAP, it unnecessarily creates operational challenges of moving to a refined standard (ASU 2010-26) in 2012 only to potentially move to an updated standard for IFRS purposes a few years later.

- Although we conceptually agree with the concept of an explicit risk margin, we are concerned that this amount as currently proposed would result in inconsistent application across companies. Also, we are concerned with the additional costs to perform the calculations without a significant increase in decision usefulness or reliability. Therefore, we strongly prefer the use of an explicit single margin (i.e., composite margin) as currently recommended by the FASB in their Insurance Contracts Discussion Paper.

- As for the pre-claims liability for short duration contracts, we believe the measurement proposal should be simplified, i.e., not require discounting of the pre-claims liability. Also, the 12 month coverage criteria cut-off may be too limiting in what can be considered “short duration”.

- We prefer that the income statement presentation of insurance contracts follow an approach based on premiums and fees collected from customers, for both short duration and long duration contracts. This would create consistency with the current recommendation in the Revenue Recognition Exposure Draft and would provide more useful and transparent information to users.

- We also have a concern that certain of the key proposals in the Exposure Draft would make currently accepted financial statement based metrics for valuing insurance companies, such as P/E, P/BV, ROE, etc, unusable by investors. As a result, it will require companies to develop alternative measures to support such valuations, which are likely to face comparability challenges as each company seeks to promulgate self-developed definitions in a proliferation of “Shadow Accounting” constructs. Non-GAAP measures
prevalent in the United States today, and consistent with segment reporting under U.S. GAAP standards, often have the virtue of representing U.S. GAAP with commonly accepted adjustments to remove items that are not indicative of business trends. Under the proposed standard, we are concerned that the financial statements would no longer be a viable starting point for these operating measures, thereby requiring a comprehensive alternative regime for business measurement to foster investor communications and management evaluation of business results.

Below please find our more comprehensive comments and/or suggestions including more details regarding our most significant comments. In addition, the following will include comments on areas where we suggest further clarification is needed.

**Current Remeasurement within Profit and Loss**

As noted above, we do not believe that the proposed measurement model calling for the current remeasurement of insurance liabilities reflects the economics of insurance contracts. Specifically, it is not the nature of this business to measure profitability from changes in the current remeasurement of discount rates of insurance liabilities and the corresponding fair value of financial assets purchased to fulfill such liabilities. Life insurance companies typically select investments based on the compatibility of their expected cash flows with the cash outflows expected to be required to satisfy contract obligations, and short-term market movements which may affect current values often have little or no relevance to cash inflows or outflows associated with the in-force contracts over their expected lives.

Notwithstanding the above, given the similarities in economics of managing investment spread income amongst life insurance contracts and other financial instrument liabilities (not considered insurance), which in many instances are managed in the same investment pool, we believe there should be an amortized cost measurement model option for life insurance contracts. This would afford insurance contracts the same option currently provided for more liquid financial instrument liabilities (covered by the financial instruments standard) and provide for consistent treatment of these products. This would also bear similarity to the current Leasing exposure draft, which proposes that the lessee liability is measured at amortized cost with no periodic updating of the discount rate.

If the proposed measurement model is retained; we believe that the impact of this portion of the remeasurement would create unwarranted distortions in the financial statements which would be exacerbated if the remeasurement impact is included in Profit and Loss. We feel that remeasurement through Other Comprehensive Income would be less distortive and more useful.

Additionally, the periodic remeasurement of insurance liabilities under the building blocks methodology creates an extraordinary burden on company resources, particularly within the
actuarial function. Such periodic remeasurement will require systems and resources capable of producing multiple sets of cash flows while concurrently incorporating the appropriate capital markets assumptions to arrive at the current period liability. This represents a substantial increase in effort and resources to generate such information on a quarterly basis that currently is not produced in the management of the business. In short, we are very concerned over an insurer’s ability to generate financial statements within the timeframes required of U.S. public companies. Consideration should be given to less frequent, yet meaningful actuarial updates—similar to the annual assumption update process applied currently by U.S. insurers under U.S. GAAP.

Discount Rate

The proposal calls for the discount rate to be determined by using a risk free rate with an adjustment for liquidity for nonparticipating liabilities, i.e., cash flows of insurance contracts that do not depend on specific assets. We believe the discount rate should correspond more closely to the earned rate of the investment portfolio. In essence, fulfillment value, by definition, should look to the assets that are expected to be used to fulfill the insurance liabilities.

The proposal could also create a large disconnect between the interest that accrues for insurance contracts relative to other financial instrument liabilities with similar cash flow features issued by insurance companies. A prime example would be Structured Settlement liabilities in which some contracts are reported as Financial Instrument Liabilities and the remaining contracts are reported as Insurance Contracts. If the board decides not to link the discount rate to the asset earned rate, we prefer to have a discount mechanism that is consistent with financial instrument liabilities, which are managed (in many cases within the same investment pool) in a similar fashion, e.g., duration matched, etc. This would also provide consistency with the Leasing exposure draft, where the liability to make lease payments is discounted using the lessee’s incremental borrowing rate. In the case of insurance contracts, the incremental borrowing rate can include observable inputs, such as the crediting rates for the following financial instrument liabilities—GIC’s, Funding Agreements, and Structured Settlement Financial Instrument Liabilities—as the foundation for determining the discount rate. In short, we feel there should be a consistency of methodology for determining discount rates among the current new standards being proposed (e.g., financial instrument liabilities, leases, etc.)

We also request more guidance and/or examples pertaining to the definition of cash flows arising from insurance contracts that “depend partly on the performance of specific assets”.

As previously noted pertaining to the proposal to apply a liquidity adjustment, we are unaware of existing theory that provides enough guidance to make sure that any such adjustment would be consistently calculated among companies. We are concerned with the lack of guidance
provided to determine the liquidity premium. Therefore, we feel that this may result in a lack of consistency in determining this item and make comparisons among companies difficult and thus information less useful to investors. In addition, we believe that only a small liquidity premium may emerge, thus creating artificial day 1 losses especially for long duration contracts.

Lastly, we feel that the proposed measurement model, including the determination of the proper discount rate, is an area where sufficient field testing would be prudent prior to issuing a final standard.

**Liability Balances at Transition**

In our view, not including a residual margin at transition would understate the profitability of in-force contracts post transition. The issue is further compounded since the residual margin also includes the recoupment of future company overhead expenses based on product pricing.

We recommend that when feasible retrospective determination of the transition liability should be applied. If deemed impractical, a possible approach for some in-force products could be to derive the residual margin based on similar contracts being sold at the date of transition. Another possible solution would be to analogize the valuation of the transition liabilities to a business combination. The fair value of liabilities would be compared to the present value of cash flows using the building blocks approach. If the fair value of liabilities is higher, the difference would be treated as “liability margin.” On the other hand, if the fair value is lower, it would be recorded through equity as opposed to goodwill (as may be done in business combination accounting). The investment assets supporting these liabilities would also need to be reported at fair value at transition, as is done in a business combination.

This is another area where we feel that sufficient field testing would be prudent prior to issuing a final standard.

Lastly, since we believe that the Insurance Contracts standard should be coordinated with IFRS 9 (Financial Instruments), the effective dates should be similarly aligned.

**Risk Margin**

As noted above, we conceptually agree with the notion of an explicit risk margin; however, we view the risk margin as a provision for adverse deviation which we believe is truer to the spirit of the fulfillment value concept rather than it being the maximum amount the insurer would rationally pay to be relieved of the risk. We are concerned that this amount, as currently proposed, would result in inconsistent application across companies. We are concerned with the additional costs to perform the calculations without a significant increase in decision usefulness or reliability. Additionally, a two margin approach is more likely to generate a loss at initial recognition, when a loss is not warranted, than the single margin (composite margin) approach. Also, we view that the single margin approach best reflects how business is
managed. Therefore, we strongly prefer the use of an explicit single margin (composite margin) as currently recommended by the FASB in their Discussion Paper.

We feel that the composite margin should offset any changes in the probability-weighted estimate of future cash flows and work as a “shock absorber.” The remaining margin should be amortized as described in the paragraph directly below.

We believe that the amortization of the single composite margin should be principles-based and correlate with the pattern of releasing the underlying risk over the life of the contract.

Acquisition Costs

We are concerned that the current definition of acquisition costs to be included in the fulfillment cash flows is too restrictive. Given the complexities of insurance contracts in general, and the expected duration of these contracts, which may extend for decades, acquisition costs for these products tend to be significant. While we understand the concerns of the IASB of including incremental expenses at a portfolio rather than a contract level, we feel that insurers will end up changing successful business practices to achieve an accounting answer, e.g., shifting underwriting functions done internally within the company to an external provider.

We feel that the IASB can leverage off of the FASB’s definition of acquisition costs as published in the newly issued ASU 2010-26 (Financial Services-Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts as to what costs should be included in the fulfillment cash flows. Otherwise, the additional “day 1” losses generated by the more restrictive definition can skew the reporting of the economics of the business.

We are also concerned, as a U.S. company, with the implementation effort surrounding the recent changes to U.S. GAAP regarding acquisition costs, followed by potential additional efforts to further revise the treatment of acquisition costs.

Pre-Claims Liability for Short-duration Contracts

We believe in the concept of applying a different accounting model for short duration coverage contracts, which reflect different economics than most long duration life insurance contracts. We feel that the proposal in the exposure draft is headed in the right direction; however, we think that a simpler model can be used that appropriately reflects the economics of the contract. For example, we feel that discounting the pre-claims liability is generally unnecessary and is inconsistent with the proposed accounting in the exposure draft on Leasing for a lessee with qualifying short-term leases. Lastly, the bright line test of the coverage period being 12 months or less may be too restrictive. We believe that the current FASB standards for short duration contracts provide relevant and useful information.
Presentation

We favor the traditional premium-based approach for income statement reporting, which is tied to consideration received from customers. This would be consistent with the exposure draft for the revenue recognition model, i.e., revenue is tied to the consideration received from the customer. That said, we acknowledge that more transparency is needed to understand the financial results of the life insurance business. Accordingly, we feel that the summarized margin approach may be useful as a footnote disclosure, on an annual basis, for long duration life contracts.

Other Comments:

Unbundling: This is an area where we believe more clarification and examples of the term “not closely related” would be helpful. In particular, an example covering Universal Life (UL) contracts would seem to be appropriate. We believe the guidance provided in paragraph 8 (a) (ii) is too restrictive. For example, we think it is appropriate to unbundle GIC contracts that have some insurance risk, e.g., guaranteed annuity purchase options that are generally out of the money that may technically qualify as insurance. We feel that the underlying guidance should revolve around the use of unbundling to provide comparability among issuers and other industries where similar components exist. We believe this principle would ensure more comparability in both measurement and reporting with other financial instruments issued by non-insurance financial institutions (e.g., banks). Using a simple example, we feel that a bank investment contract (BIC) be measured and reported in a similar fashion to an insurance GIC contract with minimal guaranteed annuity purchase options. We feel that the GIC balance should fall under the Financial Instruments standard, while the guaranteed purchase option portion of the contract should fall under the Insurance Contracts standard.

Discretionary Participation Features: Since these are not insurance contracts, we feel that they should be treated as financial instrument liabilities.

Recognition: We are concerned with the potential of recognizing an insurance contract liability prior to the date the contract is placed with the customer/counterparty, i.e., the date that both the company and the insured have agreed to the contract/policy commences. The amount of work required, e.g., substantial operational and systems implications, etc., to comply with this aspect of the exposure draft appear to outweigh the benefits of recognizing the contract when it is placed.

Ceded Reinsurance: We believe that the reinsurance measurement should follow the measurement used for the underlying direct insurance contract. We do not feel comfortable with recording “day 1” gains but not recording “day 1” losses on reinsurance ceded contracts as they could potentially lead to accounting arbitrage. For example, “day 1” gains might result prior to the underlying direct contracts being written. Also, we recommend that more guidance and examples be provided for excess loss agreements, etc. Lastly, we feel that expected non-
performance of the reinsurer should not be part of the direct measurement model, i.e., a separate impairment process should be utilized that would result in an allowance account more akin to how they are reported for certain financial instruments under U.S. GAAP.

**Probability Weighted Cash flows:** We recommend that more guidance and/or examples be provided with this aspect of the proposal. In reading the Exposure Draft we do not believe that the modeling should include all possible outcomes, e.g. full stochastic modeling for all insurance products. Guidance clarifying that the IASB does not intend that all outcomes are required, but that the probability of weighted cash flows is intended to represent the mean of reasonable outcomes would be helpful. Also, it would seem that for contracts with little or no optionality, the use of single deterministic “best estimate” cash flows should be adequate. We believe that without this clarifying guidance, meeting regulatory reporting deadlines will be very problematic given that the projection of cash flows is generally a very time consuming process.

**Disclosures:** While we agree with the Exposure Draft disclosure principle as noted in paragraph 79, we are concerned that specific, voluminous disclosures considered necessary (paragraphs 85-97) will not achieve that principle, i.e., provides limited benefit to the users of this information. A more simplified approach to disclosure is recommended. We are also concerned that proprietary information would be required to be disclosed. As noted in the comments in the Presentation section above, we believe the Summarized Margin approach for long duration contracts may be useful as a footnote disclosure, on an annual basis, for long duration life contracts.

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We appreciate the opportunity to comment on the Insurance Contracts exposure draft. We hope you find our comments informative and useful. Should you have any questions or desire further clarification on any of the matters discussed in this letter, please contact me at (973) 802-3555.

Sincerely,

Robert Axel
Vice President - Deputy Controller