Via Email: director@fasp.org

April 1, 2011

Technical Director
File Reference No. 2011-150
Financial Accounting Standards Board
401 Merrit 7
Post Office Box 5116
Norwalk, CT 06856-5116

Re: FASB Supplementary Document, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities - Impairment

Dear Technical Director:

Lincoln National Corporation (“LNC” or “we”) appreciates the opportunity to comment on the Financial Accounting Standard Board (“FASB”) Supplementary Document, Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities – Impairment (“FASB SD”). LNC is a holding company which operates multiple insurance and retirement businesses in the United States through subsidiary companies. Through our business segments we sell a wide range of insurance, wealth protection, accumulation and retirement income products and solutions. As of December 31, 2010 we had consolidated assets of $193.8 billion.

The life insurance industry fills a critical role in ensuring the financial and retirement security of millions of Americans. To that end, life insurers are significant investors in corporate bonds. Invested assets are an integral part of our operations. We follow a balanced approach to investing for both current income and prudent risk management, with an emphasis on generating sufficient current income, net of income tax, to meet our obligations to customers, as well as other general liabilities. Our balanced approach to investing requires us to evaluate risk and expected return of each asset class utilized, while still meeting our income objectives. This approach also permits us to be more effective in our asset-liability management because decisions can be made based upon both the economic and current investment income considerations affecting assets and liabilities. Our primary investments are in fixed maturity securities, including corporate and government bonds, asset and mortgage-backed securities and redeemable preferred stock, as well as equity securities, mortgage loans and policy loans. As of December 31, 2010, we had total investments of $83.3 billion.

We support the efforts of the FASB and International Accounting Standards Board (“IASB”) (collectively, the “Boards”) to work jointly to arrive at a single accounting standard for financial instruments, including a common impairment model. However, we believe that any changes made to existing U.S. GAAP should be done so only after
careful consideration and due process. The practical implications of changes to U.S. GAAP must be considered and any change to existing U.S. GAAP should result in an improvement to the reliability and understandability of financial statements and provide decision-useful information rather than resulting solely from a desire to have a theoretically consistent model and to converge with IFRS.

We understand the objective of the FASB SD is to develop a common approach with the IASB for an expected loss impairment model for open portfolios of loans and debt instruments that are not measured at fair value with changes in fair value recognized in net income (“FVNI”). Based on the definition of open portfolio as considered in the FASB SD, we do not believe our investment portfolios are in scope of the FASB SD. We note that although the Boards have limited the scope of the document to loans and debt instruments (“invested assets”) managed in open portfolios, the FASB SD seeks feedback on whether the proposed impairment model is operational for invested assets managed on an individual basis and for closed portfolios. We are aware of the Boards objective of developing a single impairment model for all invested assets. The Boards have expressed the view that the application of an impairment model to open portfolios presents the most fundamental challenge and that other impairment-related issues are not as significant. We believe the implication of those statements is that the Boards may decide to expand the scope of this proposal to all invested assets not classified and measured at FVNI without further public exposure of that critical decision. Therefore, we will take this opportunity to provide feedback more broadly regarding the application of the proposed impairment recognition model to all invested assets regardless of the whether the invested assets are managed individually or in portfolios. However, we would also urge the Boards to expose for public comment any impairment proposals related to invested assets managed individually or in closed portfolios.

We support the use of a single, expected loss model for determining impairment of all invested assets. However, we believe that an expected loss model already exists for debt instruments under U.S. GAAP, and if a new model for impairment is developed, it should be one that is applicable to all invested assets. We do not believe the impairment model proposed in the FASB SD is applicable to all invested assets; therefore, we do not support the impairment model proposed in the FASB SD.

We do not believe the impairment model proposed in the FASB SD can be readily applied to invested assets that are managed on an individual basis. The model proposed in the FASB SD is targeted to loans held by banking institutions as invested assets, whereby assets are managed on a grouped basis and categorized into a “good book” or a “bad book”. It is our opinion that the good book/bad book approach does not translate to invested assets that are managed on an individual basis. In fact, such a model will be difficult, costly and complex to implement for insurance companies.

We believe the weakness of the current impairment model highlighted in the FASB SD, i.e. delayed recognition of expected credit losses, is primarily applicable to the loan portfolios held by banking institutions, as impairments for these assets are currently recognized when a loss is probable. We believe this concern has already been addressed.
as it relates to debt instruments, through the issuance of FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments ("FSP 115-2"), as codified in ASC 320, Investments – Debt and Equity Securities ("ASC 320"). The threshold for impairment recognition for debt instruments has already been reduced to require companies to record impairment losses when estimated cash flows expected to be collected are lower than the carrying value of the asset. This guidance changed, among other things, the threshold used to assess the collectibility of cash flows for debt instruments from "probable that the investor will be unable to collect all amounts due to the recovery of the entire cost basis of the security" to "cash flows expected to be collected," which represents the cash flows that are likely to be collected after consideration of all information available. As a result, under current U.S. GAAP, investors in debt instruments do not wait for an event of default or cash shortfall in order to conclude that some or all of the cash flows will not be collected and record an impairment loss.

In developing our views relative to the FASB SD, we considered whether it would be appropriate to establish a general reserve, in addition to the impairment losses recorded under the current impairment model. In theory, it is reasonable to assume that over time some portion of these invested assets will become impaired. However, we concluded that a general reserve is not appropriate if separately identifiable cash flows are available for invested assets, since the information related to the individual invested asset can be evaluated to arrive at a more accurate result. For those invested assets where separately identifiable cash flows are available, the most accurate point to begin recognizing a credit loss is when the information indicates that we may not collect all of the expected cash flows, primarily because up until that time we were collecting all cash flows and there was no expectation of incurring a credit loss. We also considered the accounting guidance in Emerging Issues Task Force Topic No. D-80, Application of FASB Statement No. 5 and No. 114 to a Loan Portfolio ("EITF D-80") as codified in ASC 310, Receivables, regarding the allowance for credit loss for a loan portfolio. Specifically we considered the accounting guidance for when a loan evaluated individually for impairment, may be included in the basis for determining a loan portfolio’s general credit loss reserve. We observed that general reserves are only permitted for loans evaluated on a group basis. Loans evaluated individually for impairment, and determined not to be impaired, may only be included in the basis to calculate the general reserve if the specific characteristics of the loan indicate there would be an incurred loss in a group of loans with the same characteristics. After considering the current accounting guidance, we believe the application of the proposed model in the FASB SD to invested assets evaluated individually for impairment contradicts these concepts. We support the concepts in EITF D-80 and agree that it is not appropriate to hold a general reserve on invested assets evaluated individually for impairment. In addition, we are concerned that applying the proposed model in the FASB SD to invested assets evaluated individually for impairment will result in (1) forcing our invested assets into portfolios that are inconsistent with our business strategy for managing the invested assets and (2) artificially recognizing an impairment reserve on day 1 as part of the "good book" reserve for certain invested assets in which we do not expect to have any impairment.
Based on our preliminary analysis of the potential results of applying the impairment model in the FASB SD to our invested assets which are managed on an individual basis, we do not believe the results of the proposed impairment model would result in an improvement over the current impairment model under U.S. GAAP. We believe the proposed model would result in an increase in the impairment losses on the date of adoption, but that this impairment reserve would not change substantially over time. Therefore, the result would be to establish a non-economic layer of capital to support invested assets for which there have been no indications of impairment, even when reviewing expected cash flows, default ratings, etc. This would not provide meaningful or decision useful information regarding the credit losses expected to be incurred.

Because the model proposed in the FASB SD does not fit our invested assets, which are evaluated for impairment on an individual basis, we believe there would be significant cost incurred to modify systems and processes with no economic benefit. For example, we currently aggregate our invested assets into portfolios for purposes of asset liability management to support our business strategy. In order to apply the impairment model proposed in the FASB SD, we would have to aggregate our invested assets into separate portfolios by risk category, therefore adding complexity and cost to the adoption of this model, for no benefit. There would be no clear business purpose for grouping invested assets in portfolios by risk category, except to satisfy this accounting requirement. We do not support making changes to how we manage our business, simply to satisfy accounting requirements.

As a result of our concerns with the impairment model proposed in the FASB SD, we support an alternative impairment model that is based on a company's strategy of managing invested assets individually or managing invested assets in a group. Such a model would solve many of our concerns with the proposed model noted above. Specifically, this alternative model would be applicable to all types of invested assets, including those managed on an individual basis by insurance companies, and those managed both individually and on a grouped basis by banks and other financial institutions. In addition, such a model would address the weakness identified by the Boards, i.e. delayed recognition of expected credit losses, by preserving the current impairment model for debt instruments under U.S. GAAP, which has already addressed this concern for these invested assets, and by implementing a new model for loans and other invested assets managed on a group basis, for which the impairment threshold has not yet been lowered from “probable”. Lastly, such a model would result in more accurate estimates of impairment by allowing entities to incorporate management's approach to each asset type into the determination of whether impairment is evaluated at the individual or group level. For certain asset types, such as corporate bonds, the assets are unique and more precise information is available; thus, impairment determined at the individual asset level would provide a more accurate estimate. However, for other asset types, such as residential loans, information is available at a higher level and as a result impairment determined at the group level would provide a more accurate and meaningful estimate.
The items discussed above represent our views, including key areas of concern with the proposed impairment model in the FASB SD, and an alternative impairment model that represents a potential solution to address our concerns. We appreciate the opportunity to express our views on issues related to the FASB SD. Our detailed answers to the questions posed in the FASB SD are included in the attached appendix. If you have any questions regarding our comments please contact me at (484) 583-1430.

Sincerely,

Douglas N. Miller
Vice President and Chief Accounting Officer
Responses to Questions

Question 1
Do you believe the proposed approach for recognition of impairment described in this supplementary document deals with this weakness (i.e. delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

Response:
We believe the proposed approach for recognition of impairment described in the FASB SD addresses the weakness related to delayed recognition of expected credit losses for certain invested assets, i.e. loans. However, we believe this concern has already been addressed for debt instruments under U.S. GAAP through the guidance in FSP 115-2, codified in ASC 320. The threshold for impairment recognition for debt instruments has already been reduced to require companies to record impairment losses when estimated cash flows expected to be collected are lower than the carrying value of the asset. This guidance changed, among other things, the threshold used to assess the collectibility of cash flows for debt instruments from “probable that the investor will be unable to collect all amounts due to the recovery of the entire cost basis of the security” to “cash flows expected to be collected”, which represents the cash flows that are likely to be collected after consideration of all information available. As a result, under current U.S. GAAP investors in debt instruments do not wait for an event of default or a cash shortfall in order to conclude that some or all of the cash flows will not be collected and to record an impairment loss.

We believe the proposed impairment model should be revised to replace the proposed good book/bad book classification with a model that addresses invested assets (1) managed on an individual basis and (2) managed in a group. We support an alternative impairment model based on a company’s strategy of managing invested assets individually or in a group, and believe this alternative model will maintain the current model for debt instruments that has already addressed the concern of delayed recognition identified by the Boards and will address the current weakness as it relates to bank loans. For invested assets that are managed on an individual basis, the current impairment model under U.S. GAAP for debt instruments would be applied.

Question 2
Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not? Although the supplementary document seeks views on whether the proposed approach is suitable for open portfolios, the boards welcome any comments on its suitability for single assets and closed portfolios and also comments on how important it is to have a single impairment approach for all relevant financial assets.

Response:
We believe the impairment model proposed in the FASB SD is as operational for closed portfolios as it is for open portfolios. The invested assets held by LNC do not meet the definition of open portfolio, as contemplated by the FASB SD, or closed portfolios. Rather, our invested assets are managed on an individual basis. The impairment model
proposed in the FASB SD is not operational for invested assets managed on an individual basis. The model proposed in the FASB SD is targeted to loans held by banking institutions as invested assets, whereby assets are managed on a grouped basis and categorized into a "good book" or a "bad book". This good book/bad book approach does not translate to invested assets that are managed on an individual basis. In fact, such a model will be difficult, costly and complex to implement for insurance companies.

Based on our preliminary analysis of the potential results of applying the impairment model in the FASB SD to our invested assets which are managed on an individual basis, we do not believe the results of the proposed impairment model would result in an improvement over the current impairment model under U.S. GAAP. We believe the proposed model would result in an increase in the impairment losses on the date of adoption, but that this impairment reserve would not change substantially over time. Therefore, the result would be to establish a non-economic layer of capital to support invested assets for which there have been no indications of impairment, even when reviewing expected cash flows, default ratings, etc. This would not provide meaningful or decision useful information regarding the credit losses expected to be incurred.

Because the model proposed in the FASB SD does not fit our invested assets, which are evaluated for impairment on an individual basis, we believe there would be significant cost incurred to modify systems and processes with no economic benefit. For example, we currently aggregate our invested assets into portfolios for purposes of asset liability management to support our business strategy. In order to apply the impairment model proposed in the FASB SD, we would have to aggregate our invested assets into separate portfolios by risk category, therefore adding complexity and cost to the adoption of this model, for no benefit. There would be no clear business purpose for grouping invested assets in portfolios by risk category, except to satisfy this accounting requirement. We do not support making changes to how we manage our business, simply to satisfy accounting requirements.

We support the use of a single model for determining impairment losses for all invested assets; however, we believe if a single model for impairment is developed, it should be one that is applicable to all invested assets. We do not believe the impairment model proposed in the FASB SD is applicable to all invested assets; therefore, we do not support the impairment model proposed in the FASB SD.

**Question 3**
Do you agree that for financial assets in the "good book" it is appropriate to recognize the impairment allowance using the proposed approach described above? Why or why not?

**Response:**
We do not support the "good book" "bad book" delineation, as it is not applicable to all invested assets, specifically those managed on an individual basis by insurance companies. However, we support an alternative single impairment model that is based on a company's strategy of managing invested assets individually or managing invested assets in a group, which we believe would solve many of our concerns with the proposed
Responses to Questions

model. Specifically, such a model would be applicable to all types of invested assets, including those managed on an individual basis by insurance companies, and those managed both individually and on a grouped basis by banks and other financial institutions. In addition, such a model would address the weakness identified by the Boards, i.e. delayed recognition of expected credit losses, by preserving the current impairment model for debt instruments under U.S. GAAP, which has already addressed this concern, and by implementing a new model for loans and other invested assets managed on a group basis, for which the impairment threshold has not yet been lowered from “probable”. Lastly, such a model would result in more accurate estimates of impairment by allowing entities to incorporate management’s approach to each asset type into the determination of whether impairment is evaluated at the individual or group level. For certain asset types, such as corporate bonds, the assets are unique and more precise information is available; thus, impairment determined at the individual asset level would provide a more accurate estimate. However, for other asset types, such as residential loans, information is available at a higher level and as a result impairment determined at the group level would provide a more accurate and meaningful estimate.

The alternative impairment model based on a company’s strategy of managing invested assets individually or in a group would be operational and auditable, as it would be based on, among other things, the availability of cash flows.

Question 4
Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

Response:
The impairment model proposed in the FASB SD, including the proposed approach to determining the impairment allowance on a time-proportional basis, is not operational for invested assets managed on an individual basis. The model proposed in the FASB SD is targeted to loans held by banking institutions as invested assets, whereby assets are managed on a grouped basis and categorized into a “good book” or a “bad book”. This good book/bad book approach does not translate to invested assets that are managed on an individual basis. In fact, such a model will be difficult, costly and complex to implement for insurance companies.

Question 5
Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

Response:
No, we do not believe the proposed approach would provide information that is useful for decision-making in all cases. Specifically, we do not believe the proposed approach can be readily applied to invested assets managed on an individual basis. The model proposed in the FASB SD is targeted to loans held by banking institutions as invested assets, whereby assets are managed based on a grouped basis and categorized into a “good book” or a “bad book”. This good book/bad book approach does not translate to
invested assets that are managed on an individual basis. In fact, such a model will be
difficult, costly and complex to implement for insurance companies.

Based on our preliminary analysis of the potential results of applying the impairment
model in the FASB SD to our invested assets which are managed on an individual basis,
we do not believe the results of the proposed impairment model would result in an
improvement over the current impairment model under U.S. GAAP. We believe the
proposed model would result in an increase in the impairment losses on the date of
adoption, but that this impairment reserve would not change substantially over time.
Therefore, the result is to establish a non-economic layer of capital to support invested
assets for which there had been no indications of impairment, even when reviewing
expected cash flows, default ratings, etc. This would not provide meaningful or decision
useful information regarding the credit losses expected to be incurred.

In developing our views relative to the FASB SD, we considered whether it would be
appropriate to establish a general reserve, in addition to the impairment losses recorded
under the current impairment model. In theory, it is reasonable to assume that over time
some portion of these invested assets will become impaired. However, we concluded that
a general reserve is not appropriate if separately identifiable cash flows are available for
an invested asset, since the information related to the individual invested asset can be
evaluated to arrive at a more accurate result. For those invested assets where separately
identifiable cash flows are available, the most accurate point to begin recognizing a credit
loss is when the information indicates that we may not collect all of the expected cash
flows, primarily because up until that time we were collecting all cash flows and there
was no expectation of incurring a credit loss. We also considered the accounting
guidance in EITF D-80 as codified in ASC 310, Receivables, regarding the allowance for
credit loss for a loan portfolio. Specifically we considered the accounting guidance for
when a loan evaluated individually for impairment may be included in the basis for
determining a loan portfolio’s general credit loss reserve. We observed that general
reserves are only permitted for loans evaluated on a group basis. Loans evaluated
individually for impairment, and determined not to be impaired, may only be included in
the basis to calculate the general reserve if the specific characteristics of the loan indicate
there would be an incurred loss in a group of loans with the same characteristics. After
considering the current accounting guidance, we believe the application of the proposed
model in the FASB SD to invested assets evaluated individually contradicts these
concepts. We support the concepts in EITF D-80 and agree that it is not appropriate to
hold a general reserve on invested assets evaluated individually for impairment. In
addition, we are concerned that applying the proposed model in the FASB SD to invested
assets evaluated individually will result in (1) forcing our invested assets into portfolios
that are inconsistent with our business strategy for managing the invested assets and (2)
artificially recognizing an impairment reserve on day 1 as part of the “good book” reserve
for certain invested assets in which we do not expect to have any impairment.
Responses to Questions

Question 6
Is the proposed requirement to differentiate between the two groups (i.e. “good book” and “bad book”) for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

Response:
Although the concept of “good book” and “bad book” is clearly described in the FASB SD, we do not believe the proposed requirement to differentiate between the two groups (i.e. “good book” and “bad book”) is applicable to invested assets that are managed on an individual basis. See response to question 5 for further explanation.

As a result of our concerns with the impairment model proposed in the FASB SD, we support an alternative model based on a company’s strategy of managing invested assets individually or in a group. See response to question 3 for further explanation of the suggested model.

Question 7
Is the proposed requirement to differentiate between the two groups (i.e. “good book” and “bad book”) for the purpose of determining the impairment allowance operational and/or auditable? If not, how could it be made more operational and/or auditable?

Response:
No, we do not believe the proposed requirement to differentiate between the two groups (i.e. “good book” and “bad book”) is operational or applicable to invested assets that are managed on an individual basis. See response to question 5 for further explanation.

We believe that an alternative impairment model that is based on a company’s strategy of managing invested assets individually or managing invested assets in a group would solve many of the concerns with the proposed model noted above. See response to question 3 for further explanation of the suggested model.

Question 8
Do you agree with the proposed requirement to differentiate between the two groups (i.e. “good book” and “bad book”) for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

Response:
No, we do not believe the proposed requirement to differentiate between the two groups (i.e. “good book” and “bad book”) is applicable to invested assets that are managed on an individual basis. See response to questions 5 and 6 for further explanation.

Question 9
The boards are seeking comment with respect to the minimum allowance amount (floor) that would be required under this model. Specifically, on the following issues:

(a) Do you agree with the proposal to require a floor for the impairment allowance related to the ‘good book’? Why or why not?
Responses to Questions

Response:
Yes, we do agree with the proposal to require a floor for the impairment allowance related to invested assets evaluated for impairment on a grouped basis. However, we do not agree with applying the “floor” concept to invested assets evaluated for impairment on an individual basis and we are not in agreement with the FASB SD on immediate loss recognition for invested assets managed on an individual basis.

We do not support the proposal in the FASB SD to base the impairment losses on a “good book” or “bad book” classification. Rather, we support an alternative impairment model that would be based on whether invested assets are managed on an individual basis or on a grouped basis. Invested assets that are managed on an individual basis would record impairment losses consistent with the guidance for debt instruments in current U.S. GAAP, as required by FSP 115-2 and codified in ASC 320.

(b) Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the ‘good book’ only in circumstances in which there is evidence of an early loss pattern?

Response:
Consistent with our response to Question 9(a), upon purchase or origination of an invested asset that does not have an early loss pattern, we do not believe immediate impairment recognition would be appropriate for invested assets managed on an individual basis. However, in the context of the impairment model proposed in the FASB SD, we believe this would be a more reasonable approach than the proposal to require a floor for the impairment allowance of invested assets monitored on a grouped basis without regard to an early loss pattern. We believe there is a relationship between an early loss pattern and the foreseeable future period. Upon purchase or origination of an invested asset with an early loss pattern, that pattern would be reflected in the determination of the expected credit losses for the foreseeable future and thus, an impairment allowance would be established immediately.

(c) If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the minimum allowance to be determined and why?

Response:
As stated above, we do not support the proposed minimum allowance amount for invested assets managed on an individual basis. Invested assets that are managed on an individual basis should record impairment losses consistent with the guidance for debt instruments in current U.S. GAAP, as required by FSP 115-2
and codified in ASC 320. See our response to question 3 for further explanation of the suggested model.

(d) For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?

Response:
Yes, we believe the period of time defined as the ‘foreseeable future’ could change on the basis of changes in economic conditions. We believe that deteriorating economic conditions and recessions result in increased uncertainty in projections of credit losses. For example, during times of economic crisis, the ability to make specific projections of events and conditions and to make reasonable estimates based on those projections is reduced and therefore, the foreseeable future period would likely be shortened. We believe that the impairment model for debt instruments in current U.S. GAAP, as required by FSP 115-2 and codified in ASC 320, appropriately considers changes in expected loss estimates on the basis of changes in economic conditions. This guidance requires companies to record impairment losses when estimated cash flows expected to be collected are lower than the carrying value of the asset. By applying this model to invested assets managed for impairment on an individual basis, companies will not wait for an event of default or cash shortfall in order to conclude that some or all of the cash flows will not be collected and record an impairment loss.

We believe that additional guidance is needed related to the concept of “foreseeable future”. We are concerned that without additional implementation guidance audit firms in the United States may interpret the term “foreseeable future” to be the expected life of the invested asset. We do not believe this is the intention of the Boards and request clarification of this point.

(e) Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide data to support your response, including details of particular portfolios for which you believe this will be the case.

Response:
We believe that for certain groups of invested assets, the foreseeable future period may be greater than twelve months. For example, when analyzing structured securities for impairment, we typically project cash flows over the entire life of the deal. However, for other classes of invested assets, such as bank loans, an entity may not be able to estimate expected losses over a period beyond twelve months with sufficient certainty.

For this reason and the reasons expressed in our response to question 9(d), we believe that additional guidance is needed related to the concept of “foreseeable future.”
Responses to Questions

(f) If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a ‘ceiling’ should be established for determining the amount of credit impairment to be recognized under the ‘floor’ requirement (for example, no more than three years after an entity’s reporting date)? If so, please provide data and/or reasons to support your response.

Response:
See our response to question 9(e).

Question 10
Do you believe that the floor will typically be equal to or higher than the amount calculated in accordance with paragraph 2(a)(i)? Please provide data and/or reasons to support your response, including details of particular portfolios for which you believe this will be the case.

Response:
Whether the floor amount will be equal to or higher than the time-proportional amount is dependent on many different factors, including the invested asset type, the loss pattern, the length of the foreseeable future, and the stage of the invested asset’s life cycle. It is difficult to provide supporting data as insurance companies do not currently apply the concepts of the ‘good book/bad book’ model to our invested assets.

Question 11
The boards are seeking comment with respect to the flexibility related to using discounted amounts. Specifically, on the following issues:

(a) Do you agree with the flexibility permitted to use either a discounted or undiscounted estimate when applying the approach described in paragraph B8(a)? Why or why not?

Response:
In general we are not opposed to the flexibility permitted to use either a discounted or undiscounted estimate when allocating lifetime expected losses on a portfolio and the flexibility to select the discount rate. However, we encourage the Boards to establish parameters relating to the application of these options (i.e., the chosen method should be applied consistently from period to period for the same portfolio, and the method should be consistent with how the entity manages credit risk). We also believe that the method and discount rate selected should be stated within the required disclosures.

(b) Do you agree with permitting flexibility in the selection of a discount rate when using a discounted expected loss amount? Why or why not?

Response:
See response to question 11(a).
Responses to Questions

Question 12
Would you prefer the IASB approach for open portfolios of financial assets measured at amortized cost to the common proposal in this document? Why or why not? If you would not prefer this specific IASB approach, do you prefer the general concept of the IASB approach (i.e. to recognize expected credit losses over the life of the assets)? Why or why not?

Response:
No, we do not prefer the IASB approach. Rather, we support an alternative impairment model based on a company’s strategy of managing invested assets individually or in a group. For an explanation regarding the model we prefer see our response to question 6.

Question 13
Would you prefer the FASB approach for assets in the scope of this document to the common proposal in this document? Why or why not? If you would not prefer this specific FASB approach, do you prefer the general concept of this FASB approach (i.e. to recognize currently credit losses expected to occur in the foreseeable future)? Why or why not?

Response:
No, we do not prefer the FASB approach. Rather, we support an alternative impairment model based on a company’s strategy of managing invested assets individually or in a group. For an explanation regarding the model we prefer see our response to question 6.