August 1, 2005

Proposed FASB Staff Position No. TB 85-4-a

Dear Mr. Smith

UBS AG is pleased to have the opportunity to comment on the Proposed FASB Staff Position No. TB 85-4-a, Accounting for Life Settlement Contracts by Investors. UBS AG utilizes International Accounting Standards ("IAS") as its primary reporting framework and provides a reconciliation to US GAAP. We are thus keenly interested in the work of the FASB and cognizant of the need for high quality accounting standards, which facilitate the international comparability of financial statements. The comments provided below represent a view held by the Bank. We hope you find our comments useful.

We agree that the current accounting treatment under FASB Technical Bulletin 85-4, Accounting for Purchases of Life Insurance, which requires use of cash surrender value for investments in life insurance, is not appropriate for life settlement transactions. This treatment fails to capture the economic substance of a life settlement transaction from the investor's perspective. The investor in a life settlement transaction acquires ownership of the life insurance policy, and assumes the obligation to pay premiums in order to earn an investment return when the insured dies. Since the issuance of FASB Technical Bulletin 85-4, the secondary market for life settlement contracts has developed such that these contracts are viewed more as investments rather than pure life insurance contracts. Therefore, we believe that it would be more representative to align the accounting for these instruments with that of securities under Statement of Financial Accounting Standards 115, Accounting for Certain Investments in Debt and Equity Securities.

We believe that fair value would be the most relevant measure for life settlement contracts; however we recognize the limitations inherent in measuring the fair value of life settlement contracts subsequent to their purchase, given the legal restrictions on the ability of obtaining current medical...
data on insureds. As such, the proposed use of a cost accumulation model represents a reasonable compromise, and an improvement in the accounting treatment for life settlement transactions.

We very much appreciate the opportunity to comment. If you would like to discuss any comments that we have made, please contact us at your convenience. Your contacts on the subject are John Gallagher, Managing Director (+1-203-719-4212) and Sam Lynn, Executive Director (+1-203-719-7774).

Best regards,

UBS AG

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