August 24, 2006

Technical Director – File Reference No. 1325-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Technical Director:

We appreciate the opportunity to respond to the Financial Accounting Standards Board (FASB) Invitation to Comment (ITC) on Bifurcation of Insurance and Reinsurance Contracts for Financial Reporting. We understand that the purpose of this ITC is to gather input from buyers and sellers of insurance and reinsurance contracts and the users of financial statements to help the FASB decide whether a bifurcation proposal should be developed for inclusion in an Exposure Draft on risk transfer. We also understand that future plans in this project involve clarifying current risk transfer guidance and evaluating related disclosure requirements.

Chevron Corporation (Chevron) conducts business in approximately 180 countries and is engaged in every aspect of the oil and natural gas industry, including exploration and production; refining, marketing and transportation; chemicals manufacturing and sales; and power generation. Chevron owns several captive insurance companies. The captives are key components of our global risk management program. Our comments herein are from our perspective as both an insured and an insurer. We are not commenting on the eleven specific issues in the ITC, as we believe responses to specific issues are better suited at a later stage of the project.

As to our specific comment on the ITC, we do not believe the FASB should be considering bifurcation of insurance contracts at this time in view of the International Accounting Standards Board’s ongoing insurance contracts project and the FASB’s related research project, which may possibly lead to convergence with international accounting standards. We agree with the September 14, 2005, FASB recommendation to maintain a narrow scope for this project, focusing on finite risk insurance and reinsurance contracts. The potential changes discussed in the ITC are significant, and the scope appears to extend beyond the contracts that were intended to be addressed. Moreover, it would seem premature for the FASB to be considering these significant changes ahead of any decisions on convergence of the accounting rules. Therefore, we recommend the FASB limit the scope of this project to addressing certain finite risk insurance and reinsurance contracts.

Sincerely,

Mark A. Humphrey
Vice President and Comptroller

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