Via Email: director@fasb.org

May 31, 2013

Technical Director
File Reference No. 2012-260
Financial Accounting Standards Board
401 Merrit 7
Post Office Box 5116
Norwalk, CT 06856-5116


Dear Technical Director:

Lincoln National Corporation ("LNC", "we", or "us") appreciates the opportunity to comment on the Proposed Accounting Standard Update, Subtopic 825-15: Financial Instruments – Credit Losses ("FASB ED"). 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 wealth protection, accumulation and retirement income products and solutions. As of March 31, 2013 we had consolidated assets of $224 billion, with total investments of $99 billion.

We have been following the FASB’s joint project with the IASB to evaluate the accounting for financial instruments, including the proposed expected credit loss model. We support the efforts of the FASB to ensure the development and existence of high-quality accounting standards for financial instruments. We believe that any changes made to existing U.S. GAAP should be done only after careful consideration and should result in an improvement to the reliability and understandability of financial statements.

As drafted, we do not believe the proposal in the FASB ED achieves the stated objective of reducing complexity and providing more decision-useful information for all of the financial assets included within the scope of the FASB ED. We believe efforts to reduce complexity should be balanced with the objective to produce high-quality accounting standards. Although the objective to develop a single impairment model may on the surface reduce complexity, we have concerns that the proposed expected credit loss model in the FASB ED does not reduce complexity for all financial assets, particularly debt securities and other securities measured at fair value through other comprehensive income (collectively referred to as "debt securities"). A high-quality accounting standard should reflect the distinct differences between debt securities and loans, and we are concerned that the FASB ED imposes an expected credit loss model on debt securities with the potential to produce less accurate and less meaningful assessments of credit loss as compared to the current impairment model for debt securities under U.S. GAAP. We
are also concerned that in practice, the allowance for credit losses recognized in accordance with the FASB ED will not replace the requirement to recognize specific losses on individual debt securities; rather the result will be an additional allowance for credit losses which may never occur.

As we followed the redeliberations of the FASB ED, we noted a concentration and focus on developing a model to address the issues and criticisms of the impairment model specific to loans and other receivables. We do not believe debt securities should be included in the scope of the FASB ED as the proposal was principally designed to address loan losses. Debt securities are distinctly different from loans and we believe the FASB should consider the following differences when considering the appropriate credit loss model for debt securities:

- A portfolio of bank loans are not normally evaluated individually because individual loans may not be material; however in the aggregate loans are material.
- Debt securities can be material at the individual level and therefore require individual analysis.
- The decline in fair value of an individual debt security may have a material impact on an entity’s financial statements depending on the size of the single security.
- Publicly listed debt securities have information available at the individual security level. Various rating agency information, market quotes from pricing service providers, Securities and Exchange Commission (“SEC”) reporting and other public information is available for individual debt securities. This information is not available for individual loans, making it difficult to estimate the credit loss of an individual loan.
- Debt securities are complex instruments as compared to individual loans and require analysis of all facts and circumstances in order to appropriately determine the amount of the expected credit loss.
- Once debt securities show signs of credit deterioration it will be very difficult to group them into pools for assessment of credit losses as the unique facts and circumstances of each debt security cannot be summarized into a single factor that can then be easily applied to a pool of credit stressed debt securities.
- Private securities have audited financial statements and other information that is available to investors in these securities that is not available for individual loans.

We are concerned that the FASB ED introduces many operational challenges to preparing entities and does not provide commensurate benefits to financial statement users, as it would result in more complexity and less comparability. We believe the current impairment model for debt securities has been thoughtfully developed by the FASB and is a solid model that has been consistently applied across all industries with a proven track record of performing well under the duress of a financial crisis. The FASB ED will add complexity to our financial statements as our assets classified at fair value through other comprehensive income (“FV-OCI”) are already carried at fair value with changes recognized in OCI. The FASB ED will add an additional layer of complexity by requiring an allowance which is effectively offset within OCI (i.e. no matter what amount is recorded as an allowance, the net balance reported on the balance sheet for
FV-OCI assets is fair value). The financial statement disclosures for assets classified as FV-OCI include sufficient information regarding the unrealized gain and/or loss recognized in OCI to allow investors to make their own projections of expected losses as they evaluate the adequacy of an entity’s capital. In addition, we believe the requirement to include reasonable and supportable forecasts about future events will contribute to the complexity of the model, as well as hinder financial statement comparability among industry peers.

We support retaining the current impairment model for debt securities that was issued in 2009 under FSP FAS 115-2 (as currently defined in Topic 320 of the FASB’s Accounting Standards Codification) for the following reasons:

- The current impairment model for debt securities was already modified during the financial crisis to address the concerns that surfaced.
- The impairment guidance in Topic 320 has been tested since 2009 and proven effective in the recognition of credit losses for debt securities, even under extreme financial conditions.
- The current impairment model for debt securities has already replaced the probability threshold in favor of a best estimate.
- The current impairment model was developed with debt securities in mind and therefore reflects the distinct differences between debt securities and loans.
- In 2009 after the financial crisis, the criticisms of the current impairment model were related to the incurred loss model for loans which resulted in loss recognition that was “too little too late.” This same criticism was not defined as a flaw in the impairment model for debt securities.

In addition, we are concerned that the FASB ED will change current practice for income recognition by insurance entities. Many insurance entities recognize investment income earned separately from credit losses because investment income is viewed as the return on the adjusted cost basis of invested assets and is generally a level yield over the life of the instrument, while credit losses are a loss on the original investment that is perceived to be more volatile as credit markets shift or as the borrower experiences financial difficulties and a write-down is warranted. For life insurers, investment income is an important measurement as it is often matched against crediting rates on liabilities to project future income from operations. We purchase investments for our portfolios that have yield, duration and other characteristics that take into account the long term nature of our insurance contracts. The effect of the current proposal would likely create an unwarranted and significant reduction in investment income for many companies, which would be inconsistent with how the business is managed and produce financial reporting that is not decision-useful.

We recommend the FASB retain the income recognition guidance in FAS 91 and EITF 99-20 (as included in Topics 320 and 325). We noted that the FASB ED removes the interest income recognition guidance for certain beneficial interests that are not high credit quality; however, the FASB ED does not replace the eliminated guidance with any new proposal. We are concerned that by eliminating the accounting guidance in EITF
99-20 without replacement, diversity in practice may result as there will be no clear accounting guidance for recognizing interest income for certain beneficial interests. We strongly urge the FASB to retain current U.S. GAAP related to interest income recognition for debt securities.

We do not believe the FASB ED achieves the stated objectives of reducing complexity and increasing the decision-usefulness of financial statements. The impairment model adopted under FSP FAS 115-2 has performed very well even under extreme financial conditions, and we applaud the FASB for acting timely in 2009 in adopting we what believe were the necessary improvements to the impairment model. Accordingly, we strongly urge the FASB to retain the existing impairment model for debt securities and exclude debt securities from the scope of the FASB ED.

We appreciate the opportunity to express our views on issues related to the FASB ED. Our detailed answers to selected questions posed in the FASB ED 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
Senior Vice President and Chief Accounting Officer
Question 1: Do you agree with the scope of financial assets that are included in this proposed Update? If not, which other financial assets do you believe should be included or excluded? Why?

No, we do not agree with the scope of the FASB ED, and we believe debt securities should be excluded from the scope. As we followed the deliberations of the FASB ED, we noted a concentration and focus on developing a model to address the issues and criticisms of the impairment model specific to loans and other receivables. We do not believe debt securities should be included in the scope of the FASB ED as the proposal was principally designed to address loan losses. Debt securities are distinctly different from loans and we believe the FASB should consider the following differences when considering the appropriate credit loss model for debt securities:

- A portfolio of bank loans are not normally evaluated individually because individual loans may not be material; however in the aggregate loans are material.
- Debt securities can be material at the individual level and therefore require individual analysis.
- The decline in fair value of an individual debt security may have a material impact on an entity’s financial statements depending on the size of the single security.
- Publicly listed debt securities have information available at the individual security level. Various rating agency information, market quotes from pricing service providers, Securities and Exchange Commission ("SEC") reporting and other public information is available for individual debt securities. This information is not available for individual loans, making it difficult to estimate the credit loss of an individual loan.
- Debt securities are complex instruments as compared to individual loans and require analysis of all facts and circumstances in order to appropriately determine the amount of the expected credit loss.
- Once debt securities show signs of credit deterioration it will be very difficult to group them into pools for assessment of credit losses as the unique facts and circumstances of each debt security cannot be summarized into a single factor that can then be easily applied to a pool of credit stressed debt securities.
- Private securities have audited financial statements and other information that is available to investors in these securities that is not available for individual loans.

It is unlikely we will be able to ignore publicly available information about the credit deterioration of an individual debt security, and as this information becomes available, we will be required to evaluate these debt securities individually for credit loss even though we have already considered these debt securities as part of a larger pool. We do not agree with an expected credit loss model that would require an entity to also evaluate the same debt securities for credit loss on a pooled basis and then an individual basis. We believe the price of a debt security at origination or purchase already reflects expected future credit losses (I.C. fair value), and the requirement to place debt securities in a pool and recognize credit losses immediately is not appropriate and may result in the premature recognition of credit losses. We are concerned that, in practice,
the allowance for credit losses recognized in accordance with the FASB ED will not replace the requirement to recognize specific losses on individual debt securities; rather the result will be an additional allowance for credit losses which may never occur. As a result, we support the current impairment model for debt securities as adopted under FSP FAS 115-2.

In addition to debt securities, we have identified the following issues regarding the scope of the FASB ED:

- **Purchase credit impaired** - We are concerned that the definition of purchase credit impaired ("PCI") may be broadly interpreted to include any assets purchased at a discount. We request the FASB clarify the PCI definition to avoid inconsistent application of this guidance. In addition, it is not clear to us if the FASB intends for all PCI assets to be placed on non-acceleration status if an entity does not expect to collect the full principal amount, so guidance on this issue is warranted.

- **Reinsurance receivables** - We do not support including reinsurance receivables within the scope of the FASB ED. We believe this is an insurance industry topic and should remain within the scope of Topic 944.

- **Interest-related impairment** - The FASB ED does not discuss an entity’s intent to sell and any implications for interest-related losses.

- **Policy loans** - We believe that policy loans (monies advanced to insurance policy holders under the terms of the insurance contract) would not be within scope of the FASB ED. We expect policy loans to be addressed in the insurance contracts project.

**Questions for Preparers and Auditors**

**Question 9:** The proposed amendments would require that an estimate of expected credit losses be based on relevant information about past events, including historical loss experience with similar assets, current conditions, and reasonable and supportable forecasts that affect the expected collectibility of the financial assets’ remaining contractual cash flows. Do you foresee any significant operability or auditing concerns or constraints in basing the estimate of expected credit losses on such information?

Yes, we foresee operational and auditing issues with the information on which the estimate of expected credit losses would be based. We are concerned that the FASB ED will introduce more subjectivity to the process of estimating expected credit loss. In addition, insurance entities will need to formulate and devise new models to estimate expected credit losses for a significant portion of the investment portfolio. The level of expertise required to develop, test and substantiate new qualitative models is significant. Unlike the banking industry, a significant portion of an insurance entity’s investment portfolio is not comprised of loans that have been historically placed in pools for expected credit loss assessment. As a result, some entities do not have historical loss experience data readily available in the accounting systems. Some insurance entities may need to acquire a new level of expertise in order to develop the qualitative models necessary to assess expected credit loss utilizing the criteria in the FASB ED. Once all the new models have been developed, insurance entities will need to develop and
Responses to Selected Questions

implement SOX procedures around the new expected credit loss models. Due to the subjective nature of the information that must be considered under the FASB ED, we are skeptical as to whether these models can be audited effectively and are concerned that comparability between insurance entities will be jeopardized.

We support maintaining the impairment model for debt securities as it currently exists in U.S. GAAP. In making our other-than-temporary impairment assessment for debt securities under current U.S. GAAP we are required to develop a best estimate where we “consider all available information relevant to the collectability of the security, including information about past events, current conditions, and reasonable and supportable forecasts, when developing the estimate of cash flows expected to be collected” (ASC 320-10-35-33G). The use of a best estimate has been applied in the U.S. for many years and is easier to apply than the scenarios defined in the FASB ED. Best estimate is also well understood by financial statement users and promotes comparability among financial statement reporters.

We support retaining the current impairment model for debt securities that was issued in 2009 under FSP FAS 115-2 (as currently defined in Topic 320) for the following reasons:

- The current impairment model for debt securities was already modified during the financial crisis to address the concerns that surfaced.
- The impairment guidance in Topic 320 has been tested since 2009 and proven effective in the recognition of credit losses for debt securities, even under extreme financial conditions.
- The current impairment model for debt securities has already replaced the probability threshold in favor of a best estimate.
- The current impairment model was developed with debt securities in mind and therefore reflects the distinct differences between debt securities and loans.
- In 2009 after the financial crisis, the criticisms of the current impairment model were related to the incurred loss model for loans which resulted in loss recognition that was “too little too late.” This same criticism was not defined as a flaw in the impairment model for debt securities.

**Question 10:** The Board expects that many entities initially will base their estimates on historical loss data for particular types of assets and then will update that historical data to reflect current conditions and reasonable and supportable forecasts of the future. Do entities currently have access to historical loss data and to data to update that historical information to reflect current conditions and reasonable and supportable forecasts of the future? If so, how would this data be utilized in implementing the proposed amendments? If not, is another form of data currently available that may allow the entity to achieve the objective of the proposed amendments until it has access to historical loss data or to specific data that reflects current conditions and reasonable and supportable forecasts?
Unlike the banking industry, a significant portion of an insurance entity's investment portfolio is not comprised of loans that have been historically placed in pools for expected credit loss assessment. As a result, some entities do not have historical loss experience data readily available in the accounting systems. Some insurance entities may need to acquire a new level of expertise in order to develop the qualitative models necessary to assess expected credit loss utilizing the criteria in the FASB ED.

We strongly urge the FASB to maintain the current impairment model which utilizes a best estimate of cash flows to be collected as currently defined in U.S. GAAP.

**Question 11:** The proposed amendments would require that an estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results. This proposal would prohibit an entity from estimating expected credit losses based solely on the most likely outcome (that is, the statistical mode). As described in the Implementation Guidance and Illustrations Section of Subtopic 825-15, the Board believes that many commonly used methods already implicitly satisfy this requirement. Do you foresee any significant operability or auditing concerns or constraints in having the estimate of expected credit losses always reflect both the possibility that a credit loss results and the possibility that no credit loss results?

Yes, we have significant concerns and do not agree with the estimate of expected credit losses always reflecting both the possibility that a credit loss results and the possibility that no credit loss results. In instances where there has been a default on a debt security, the FASB ED would still require an entity to include the possibility of no loss in the expected credit loss calculation. This has the potential of artificially reducing the losses recognized as compared to the amount that would be expected under current U.S. GAAP. When assessing our structured securities for impairment, we develop various scenarios and in the case of high-quality assets none of the scenarios will indicate a loss on the security. Under the FASB ED we would still be required to fabricate a scenario which contains the possibility of a loss solely to comply with the accounting guidance.

The requirement to always recognize the possibility that a credit loss results and the possibility that no credit loss results is one example of how the FASB ED was developed primarily to assess expected credit losses for pools of loans. Although this approach may be appropriate to assess credit losses on pools of loans, to apply the FASB ED to an individual debt security could potentially result in a less accurate assessment of expected credit loss as we have noted above. We urge the FASB to consider the distinct differences between debt securities and loans that we have identified in Question #1. We believe the FASB has already considered the distinct differences between debt securities and loans under the current impairment model; therefore, we support retaining the current impairment model for debt securities that exists in U.S. GAAP and excluding debt securities from the scope of the FASB ED.

**Question 12:** The proposed amendments would require that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly. Methods implicitly reflect the time value of money by developing loss statistics on the basis of
the ratio of the amortized cost amount written off because of credit loss and the amortized cost basis of the asset and by applying the loss statistic to the amortized cost balance as of the reporting date to estimate the portion of the recorded amortized cost basis that is not expected to be recovered because of credit loss. Such methods may include loss-rate methods, roll-rate methods, probability-of-default methods, and a provision matrix method using loss factors. Do you foresee any significant operability or auditing concerns or constraints with the proposal that an estimate of expected credit losses reflect the time value of money either explicitly or implicitly? If time value of money should not be contemplated, how would such an approach reconcile with the objective of the amortized cost framework?

Although we do not support the expected credit loss model as proposed in the FASB ED, we do not have an issue with reflecting the time value of money in the calculation of a valuation allowance.

**Question 13:** For purchased credit-impaired financial assets, the proposed amendments would require that the discount embedded in the purchase price that is attributable to expected credit losses at the date of acquisition not be recognized as interest income. Apart from this proposal, purchased credit-impaired assets would follow the same approach as non-purchased-credit-impaired assets. That is, the allowance for expected credit losses would always be based on management's current estimate of the contractual cash flows that the entity does not expect to collect. Changes in the allowance for expected credit losses (favorable or unfavorable) would be recognized immediately for both purchased credit-impaired assets and non-purchased-credit-impaired assets as bad-debt expense rather than yield. Do you foresee any significant operability or auditing concerns or constraints in determining the discount embedded in the purchase price that is attributable to credit at the date of acquisition?

We are concerned that the definition of PCI is too broad and may be interpreted to include any assets purchased at a discount. We prefer the current definition of PCI under U.S. GAAP which specifies that the assessment is made at acquisition to evaluate whether an investor will be unable to collect all contractually required payments receivable. We believe the definition in the FASB ED is vague and could potentially bring into scope debt securities that have been downgraded since origination, but with no known incurred credit loss.

We do not agree with recording changes in expected cash flows as bad debt expense for PCI assets rather than adjustments to yield. We urge the FASB to retain current U.S. GAAP and continue to allow entities to recognize interest based on expected cash flows and to adjust the yield upward or downward to reflect changes in estimated cash flows. The current U.S. GAAP recognition model is consistent with the investing strategy of insurance entities for PCI assets, and we are concerned that the FASB ED may impact investing decisions for these securities in the future.

**Question 14:** As a practical expedient, the proposed amendments would allow an entity to not recognize expected credit losses for financial assets measured at fair value with
qualifying changes in fair value recognized in other comprehensive income when both (a) the fair value of the individual financial asset is greater than (or equal to) the amortized cost basis of the financial asset and (b) the expected credit losses on the individual financial asset are insignificant. Do you foresee any significant operability or auditing concerns or constraints in determining whether an entity has met the criteria to apply the practical expedient or in applying it?

As currently defined in the FASB ED, we believe the practical expedient would be overly burdensome for entities to utilize due to the requirement to reassess whether or not debt securities pass the practical expedient at each reporting period.

Although we do not support the model as drafted in the FASB ED and urge the FASB to retain the current impairment model for debt securities, we do agree with the concept of a practical expedient as a component of a credit loss model. However, we believe the practical expedient included in the FASB ED may produce inconsistent results if the requirement to meet both of the criteria is retained. Many high quality assets (e.g., government securities or other highly rated debt securities) could be in an unrealized gain one period and an unrealized loss the next period if interest rates increase. By applying the FASB’s proposed practical expedient, a valuation allowance would not be recorded in the first period while one would be recorded in the subsequent period when the credit risk for the security has not changed. If the requirement to satisfy the practical expedient did not include the satisfaction of both criteria, but rather either criterion we believe the practical expedient would be more useful. By permitting exclusion for either instruments with insignificant losses or fair value greater than amortized cost, the guidance would reduce operational burdens and complexities for all assets whose characteristics at the reporting date would indicate that the determination of an allowance for future losses may be neither meaningful nor significant to the current reporting period.

Question 15: The proposed amendments would require that an entity place a financial asset on nonaccrual status when it is not probable that the entity will receive substantially all of the principal or substantially all of the interest. In such circumstances, the entity would be required to apply either the cost-recovery method or the cash-basis method, as described in paragraph 825-15-25-10. Do you believe that this proposal will change current practice? Do you foresee any significant operability or auditing concerns with this proposed amendment?

Yes, the FASB ED will change current practice for income recognition by insurance entities. Many insurance entities recognize investment income earned separately from credit losses because investment income is viewed as the return on the adjusted cost basis of invested assets and is generally a level yield over the life of the instrument, while credit losses are a loss on the original investment that is perceived to be more volatile as credit markets shift or as the borrower experiences financial difficulties and a write-down is warranted. For life insurers, investment income is an important measurement as it is often matched against crediting rates on liabilities to project future income from operations. We purchase investments for our portfolios that have yield,
duration and other characteristics that take into account the long term nature of our insurance contracts. The effect of the current proposal would likely create an unwarranted significant reduction in investment income for many companies, which would be inconsistent with how the business is managed and produce financial reporting that is not decision-useful.

We recommend the FASB retain the income recognition guidance in FAS 91 and EITF 99-20 (as included in Topics 320 and 325). We noted that the FASB ED removes the interest income recognition guidance for certain beneficial interests that are not high credit quality; however, the FASB ED does not replace the eliminated guidance with any new proposal. We are concerned that by eliminating the accounting guidance in EITF 99-20 without replacement, diversity in practice will result as there will be no clear accounting guidance for recognizing interest income for certain beneficial interests. We strongly urge the FASB to retain current U.S. GAAP related to interest income recognition for debt securities.

Questions for All Respondents

Question 16: Under existing U.S. GAAP, the accounting by a creditor for a modification to an existing debt instrument depends on whether the modification qualifies as a troubled debt restructuring. As described in paragraphs BC45–BC47 of the basis for conclusions, the Board continues to believe that the economic concession granted by a creditor in a troubled debt restructuring reflects the creditor’s effort to maximize its recovery of the original contractual cash flows in a debt instrument. As a result, unlike certain other modifications that do not qualify as troubled debt restructurings, the Board views the modified debt instrument that follows a troubled debt restructuring as a continuation of the original debt instrument. Do you believe that the distinction between troubled debt restructurings and nontroubled debt restructurings continues to be relevant? Why or why not?

We have no comment related to troubled debt restructuring

Questions for Preparers and Auditors

Question 18: Do you foresee any significant operability or auditing concerns or constraints in complying with the disclosure proposals in the proposed Update?

We are concerned with the proposed rollforward disclosures that are required on a quarterly basis. We believe this quarterly requirement is overly burdensome and suggest this should be an annual disclosure requirement.

The focus of any changes to disclosure requirements should be to provide clear, concise and useful information about the most significant risks, challenges and opportunities that drive shareholder value. We believe the proposed guidance as drafted will not improve the ability of investors, analysts, and other users of financial statements to understand the challenges, risks and opportunities of an insurance company. In addition, the proposed guidance as drafted is overly burdensome, which will result in increased cost to the preparer, which diminishes shareholder value if investors are not able to use the
Responses to Selected Questions

information to make a more informed investment decision. As currently drafted, the proposed guidance appears to focus on disclosing additional data, much of which is very complicated and voluminous, and which could ultimately lead to misinterpretation by users.

We believe the current presentation and disclosure requirements under U.S. GAAP provide meaningful and decision-useful financial information.

Questions for All Respondents

Question 19: Do you believe that the implementation guidance and illustrative examples included in this proposed Update are sufficient? If not, what additional guidance or examples are needed?

We do not support the model proposed in the FASB ED; therefore, we have no comment on the implementation guidance and illustrative examples.

Questions for All Respondents

Question 20: Do you agree with the transition provision in this proposed Update? If not, why?

See our response to Question #24 where we have identified transition issues for consideration.

Question 21: Do you agree that early adoption should not be permitted? If not, why?

No comment.

Question 22: Do you believe that the effective date should be the same for a public entity as it is for a nonpublic entity? If not, why?

No comment

Questions for Preparers and Auditors

Question 23: Do you believe that the transition provision in this proposed Update is operable? If not, why?

See our response to Question #24 where we have identified transition issues for consideration.

Question 24: How much time would be needed to implement the proposed guidance? What type of system and process changes would be necessary to implement the proposed guidance?

We do not support the model proposed in the FASB ED; however, we believe the effective date for any changes related to the adoption of a new expected credit loss model for financial instruments should be aligned with any changes in the Financial
Instruments Classification & Measurement project. Depending on the final changes required under the expected credit loss guidance, companies may need to perform detailed, individual evaluation on thousands of investments to reverse inception to date impairments, as well as develop new models to estimate credit losses under the new guidance. As a result, companies would need an extended amount of time to adequately prepare processes and systems for these changes at the same time many changes may be occurring as a result of any new classification and measurement guidance that is issued. Given both of these changes would impact many of the same resources, sufficient lead time would be needed to ensure companies are prepared to implement the proposed guidance.

Given the interaction of the Financial Instrument project and the Insurance Contracts project, we recommend the FASB align the effective date of any changes from the Financial Instrument project with any changes that result from the Insurance Contracts project. Similarly, we believe the FASB should continue to evaluate the transition guidance for the FASB ED as well as the interaction with the Insurance Contracts project to ensure that there is consistency between the two transition methods (as appropriate).