Sirs:

While I have used the technical inquiry and comment submission web pages before instead of sending in a message, and there was a question upon follow-up about whether or not the comments are received, please note the following as submitted through the F.A.S.B. web page for technical comments:

This brief note is sent to you today as this commenter has concerns about the latest ASU Topic 944: Financial Services -- Insurance; as proposed [and finalized in November of last year], and the abandonment of carrying value considerations for long-term contracts of insurance companies as regulated by the S.E.C. and its rules and regulations in addition to others. The integration of risk assumptions and changing disclosure rules having to do with the valuation of long-term contract liabilities of these public insurance entities does seem to complicate not the actual measurement considerations of such contracts as presented and disclosed in the financial statements of public insurance companies, though it does detract from measurement, presentation and disclosure considerations that have to do with the recording, and disclosure of proper capital formation and accumulation overall.

That the differences between carrying value and fair value for these long-term contracts is assumedly resolved by recognition in comprehensive income and retained earnings; and does allow for the role of risk and related factors (themselves subject to modification) in a fair market valuation. This, however, does not squarely agree with a number of accounting assumptions having to do with the principles of matching, consistency, permanency, continuity and even periodicity due to valuation questions that will undoubtedly arise quarterly or annually.

Is there a proper way to determine ex post here the prudence and reasonableness of allowing for the abandonment of carrying value as a rule for the treatment of long-term insurance contracts in the financial statements? Is the risk-adjusted fair value methodology an over-compensation to stakeholders who need better metrics or a "numbers game" (cf. Arthur Levitt, 1988) response to clamoring by "players" in the investment community? (Please pardon the quotation marks.)

The F.A.S.B. need not overall apply the standard of fair value to long-term insurance contracts in strict abandonment of carrying-value measurement: This resolution to various matters before the board does not resolve the issue of disclosures reflecting economic reality. Carrying value has its proper economic merits based in historical cost and other principles and accounting concepts.
The measurement, and accounting (presentation and disclosure) considerations of fair value items in the financial statement need not blanket accounting measurement rules and regulations. Fair value seems to be most important a consideration in which financial statement items represent faithfully and match pertinent entries having to do with logistics and supply-chain derived presentation and disclosure in the financial statements, something that does not strictly apply to long-term insurance contracts.

Sincerely yours,

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Confidentially sent using Mail for Windows. Please pardon typographical errors.