February 2, 2018

Technical Director
File Reference No. 2018-210
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116


American Financial Group, Inc. appreciates the opportunity to comment on the FASB’s Exposure Draft of the proposed Accounting Standards Update – Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (the “ED”). AFG is a public company traded on the New York Stock Exchange (NYSE: AFG) and has assets of approximately $60 billion. We are engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and in the sale of fixed and fixed-indexed annuities in the retail, financial institutions and education markets.

We greatly appreciate the FASB’s timely response to address stakeholder concerns regarding the guidance in ASC 740 that requires the impact of a change in tax laws or rates on all deferred tax assets and liabilities to be recorded through income from continuing operations, even when the deferred tax asset or liability was established through accumulated other comprehensive income (“AOCI”). As discussed in the ED, accounting for the impact of the Tax Cuts and Jobs Act of 2017 (“TCJA”) on deferred taxes established through AOCI under the existing guidance results in an amount equal to the difference between the deferred tax at the historical corporate rate of 35% and the newly enacted rate of 21% to be stranded in AOCI (potentially indefinitely). This causes a distorted AOCI balance in shareholders’ equity as compared to applying the new tax rate to the pretax components of AOCI, which we believe is misleading, overly complex and will likely be confusing to financial statement users.
We agree with the amendments in the ED requiring the reclassification of the amounts stranded in AOCI from accounting for the TCJA under the current guidance from AOCI to retained earnings. This amendment promptly addresses the issues presented above and would therefore improve the usefulness and reduce the complexity of the information reported to financial statement users by ensuring that balances included in AOCI reflect the newly enacted tax rate. We also agree that the amendments proposed in the ED should be applied retrospectively to the period(s) in which the effect of the change in the corporate tax rate is recognized. We support the effective date proposed in the ED (fiscal years beginning after December 15, 2018) as long as early adoption is permitted. We encourage the Staff to expedite the finalization of the proposed guidance so that public companies can early adopt the reclassification as of December 31, 2017, prior to filing 2017 Form 10-Ks, and therefore avoid a subsequent restatement of reported amounts.

We believe that the FASB should add a broader project on backwards tracing to its agenda because requiring (or allowing) backwards tracing would eliminate the issues discussed above (amounts stranded in AOCI) resulting from future changes in the tax law or rates. In considering alternatives to backwards tracing, we believe that the FASB should consider option “C” – “reclassification from AOCI to retained earnings for stranded tax effects associated with all future changes in tax rates.” This option allows the current guidance requiring that all impacts of a change in tax rates be recorded in earnings from continuing operations to remain as issued while preserving the usefulness and transparency of AOCI.

We would be happy to discuss our response in more detail with the Board. Please contact Brian Hertzman at (513) 579-2153 if you have any questions regarding this comment letter.

Sincerely,

[Signature]
Brian S. Hertzman
Vice President and Controller
American Financial Group, Inc.

[Signature]
Joseph E. (Jeff) Consolino
Executive Vice President and Chief Financial Officer
American Financial Group, Inc.