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EITF0605DA

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LETTER OF COMMENT NO. 2

Mr. Lawrence W. Smith
Director of Technical Applications and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
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USA
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Re: Draft Abstract EITF Issue 06-4: *"Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"* and Draft Abstract EITF Issue 06-5: *"Accounting for Purchases of Life Insurance – Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4"*

Dear Mr. Smith:

Credit Suisse Group ("CSG") appreciates the opportunity to express our view on the Financial Accounting Standard Board's ("FASB") Emerging Issues Task Force ("EITF") Draft Abstract Issue 06-4: *"Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements"* ("the Document") as posted to the FASB's website. Please find as well in a separate section our views on Draft Abstract Issue 06-5: *"Accounting for Purchases of Life Insurance – Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4"* (also "the Document") as posted to the FASB's website. CSG's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("US GAAP").

Draft Abstract Issue 06-4

We agree that there is diversity in practice in relation to the recognition of liabilities and compensation costs associated with endorsement split-dollar life insurance arrangements that provide a benefit to an employee that extends into post-employment or retirement from an employer. At the same time, we note that there is a fairly broad population of different forms such endorsement split-dollar life insurance arrangements might take. As such, it would appear that it is a challenge to summarize the characteristics of these types of transactions into one straightforward model and apply consistent accounting guidance to that model. Therefore, we agree that the Document should focus only on endorsement split-dollar life insurance arrangements that provide benefits that extend into post-employment or retirement, as described in the Scope section of the Document.

That said, however, we believe that in formulating accounting treatment guidance for these transactions, the most appropriate approach would be one where a specific fact pattern for a basic endorsement split dollar arrangement is described and a discussion of the accounting treatment laid out that includes an explanation of how differing contractual arrangements from the base case might alter that accounting treatment. The current Document does lay out a basic fact pattern, but the overly concise EITF Discussion that the arrangement fails the settlement criteria of FAS 106 or Opinion 12 simply because it is not non-participating does not provide sufficient utility for financial statement preparers to apply the guidance to arrangements with different provisions.

For example, the described fact pattern implicitly acknowledges that different arrangements regarding the policy benefits promised to an employee may exist. In a case where the policy benefits promised to an employee included linkage, for example, to the insurance carrier's mortality experience, it is not clear if the EITF consensus would preclude qualifying the arrangement as a settlement because it is a participating policy.

A case may exist where the policy benefit promised to an employee is fixed, but the employer enters into a participating endorsement split-dollar policy arrangement with an insurance carrier and separately enters into a separate contract with a third-party that economically hedges the risk arising from the participating feature of the policy. The separate contract is irrevocable as long as the referenced policy remains in force. We do not believe that the current Document provides sufficiently detailed guidance to apply to such a fact pattern.

Presumably other financial statement preparers could provide examples of other possible variations of a "basic" endorsement split-dollar policy arrangement. Our view is simply that the final accounting guidance provided should adopt a broader view towards the existence of these different possible arrangements. Absent this broader view, the possibility exists that preparers will apply the guidance to only a portion of the population of such arrangements, and diversity in practice may continue in other portion(s) of that population.

Draft Abstract Issue 06-5

CSG agrees with the view that diversity in practice may have developed in applying the requirement of FASB Technical Bulletin No. 85-4: *"Accounting for Purchases of Life Insurance"* ("TB 85-4") that "the amount that could be realized under the insurance contract as of the date of the statement of financial position should be reported as an asset." Some financial statement preparers only reflected the Cash Surrender Value as it appeared on insurance carrier statements, while others also reflected other contractual amounts that the policyholder would be entitled were the policy to be surrendered at that time. The helpful working example included in the Document appropriately illustrates possible elements of a policy that would fall into this latter category.

We agree with the EITF Discussion regarding Issue 1 that a policyholder should consider any additional amounts outside of the Cash Surrender Value included in the contractual terms of the policy in determining the amount that could be realized under the insurance contract, provided that those amounts are not contractually limited by carrier discretion or some other contingent feature. It is entirely appropriate to recognise unrestricted contractual terms in the measurement of the insurance policy as an asset as it accurately reflects the economic substance of the instrument at the measurement date.

We agree with the EITF Discussion regarding Issue 2 that determining the amount that could be realized under the life insurance contract should be approached on a policy by policy basis, i.e. the unit of account is an individual policy. Referring to Issue 1, realizations of certain contractual amounts may be contingent on specific contingent events or actions by the carrier and/or policyholder, and are not appropriate items for inclusion in the measurement of the asset on the measurement date as that event or action has not yet occurred. The example in the Document regarding the arrangement where the carrier would waive the surrender charge in the event the holder of a group policy surrendered all the policies/certificates simultaneously is a good illustration of this concept.

If you have any questions or would like any additional information on the comments we have provided, please do not hesitate to contact Eric Smith in New York on (212) 538-5984 or Christopher Harris in Zurich on (41)-44-333-8395.

Sincerely,

Rudolf Bless
Managing Director
Chief Accounting Officer

Christopher Harris
Vice President
Group Accounting Policies