March 27, 2009



LETTER OF COMMENT NO.

Technical Director, FASB Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position No. FAS 115-a, FAS 124-a, and EITF 99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments

Dear Sir.

American Fidelity Assurance Company (AFA) appreciates the opportunity to comment on the proposed FASB Staff Position (FSP), *Recognition and Presentation of Other-Than-Temporary Impairments* ("Proposed FSP"). AFA is a privately held life and health insurer domiciled in Oklahoma, and licensed to do business in 49 states.

AFA strongly supports the Proposed FSP. AFA, along with the rest of the life insurance industry, is a major investor in the affected securities, so we appreciate the objectives of the Proposed FSP. We have experienced an increase in the volume of securities to evaluate for other-than-temporary impairment (OTTI), and thus fully support changes that make the recognition of impairment losses in the income statement reflective of true economic loss rather than the artificial losses that result from using inactive market values. In line with our thoughts on the FSP, we offer the following responses to the questions the FASB Board included in the proposal:

- 1. We concur that the separation of OTTI credit losses is a great improvement over the current treatment which does not segregate the economic loss. We feel that this presentation provides better information for decision making, and do not have an issue with disclosing the two components. For securities deemed to be in an inactive market, the non-credit portion of the difference between carrying value and the new FMV computed from appropriate assumptions should be charged to OCI.
- 2. We feel that the methodologies used in paragraphs 12 16 of FASB Statement No. 114 and in paragraph 12(b) of EITF 99-20 are appropriate. However, we do wish to point out that the discount rates used for such an analysis need to be representative of what would exist in an active market, not the discount rates that are being used currently that result in unreasonably depressed market values. Further on this point, it may be less complex and more appropriate to adopt an "amortized cost loan model" for asset and mortgage backed securities that could then be adjusted for the amount of the economic loss to arrive at a reasonable fair value. This would be in line with the treatment recommended in FASB No. 114. We agree that only the credit component of OTTI should be recognized in the income statement. We do not feel that the non-credit component of OTTI should ever be recognized in earnings.

- 3. The modification regarding intent to sell a security should apply to debt securities only, as there are reasonable methods available to estimate economic losses, and thus determine more clearly the ability for a company to hold a security to recovery. Equity securities do not have this level of predictability regarding future recovery.
- 4. We do not agree with the requirement to amortize the OCI component of impairment for held-to-maturity securities. We feel that this will be a cumbersome administrative burden, particularly for small to medium sized companies, with very little value to the readers of financial statements. The HTM category should only reflect the impact of the credit loss, and none of the impact of the non-credit loss rather than changing the accounting treatment to hit OCI with a large up-front loss that is then amortized over the life of the security.
- 5. We concur with the proposed effective date.

We are very appreciative of the effort taken by the FASB in developing this proposal, and feel that its application will have a very positive impact on our industry as well as the rest of the companies impacted. Thank you for the opportunity to submit our comments.

Sincerely,

Robert D. Brearton Executive Vice President – CFO Lucy K. Fritts
Sr. Vice President - Controller