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LETTER OF COMMENT NO.

April 1, 2009

Russell G. Golden  
FASB Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
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*Re: File Reference: Proposed FSP FAS 157-e "Determining Whether a Market Is Not Active and a Transaction Is Not Distressed" and Proposed FSP FAS 115-a, 124-a, and EITF 99-20-b "Recognition and Presentation of Other-Than-Temporary Impairments."*

Dear Mr. Golden:

Horace Mann<sup>1</sup> appreciates the opportunity to respond to the Proposed FASB Staff Position FAS 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed*, as well as to the Proposed FASB Staff Position FAS 115-a, 124-a, and EITF 99-20-b, *Recognition and Presentation of Other-Than-Temporary Impairments*. We applaud FASB for taking quick action to provide additional guidance in the application of FASB Statement No. 157, *Fair Value Measurements* ("FAS 157"), in response to the Securities and Exchange Commission's *Report and Recommendations Pursuant to Section 133 of the Emergency Economic Stabilization Act of 2008*, released on December 30, 2008 ("SEC Report").

As the SEC Report states:

In developing SFAS No. 157, the FASB set out to create an objectives-based standard that would allow for the use of judgment in determining fair value. The Staff found that issuers and auditors have faced challenges with the application of the standard in the current global economic crisis. As previously discussed, the Staff, the FASB, and the IASB have taken several steps to provide application guidance to alleviate confusion and to foster reasonable application of fair value measurements in the marketplace. However, the Staff believes additional assistance in the form of guidance, education, and training is warranted in several areas.

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<sup>1</sup> Horace Mann is the largest multiline insurance company focusing on the nation's educators and their families. The Company's overarching strategy and business purpose is to provide lifelong financial well-being for educators and their families through personalized service, advice, and a full range of tailored insurance and financial products.

We support some of the SEC's findings. Moreover, we believe that FAS 157-e represents a positive first step in the development of guidance to clarify (1) when a market is impaired, and (2) acceptable methods for valuing an asset where the market is impaired. FSP FAS 115-a, FAS 124-a, and EITF 99-20-b furthermore is a much-needed reconsideration of the rules on accounting for other-than-temporary impairments; although we believe that further work is needed in this area, the new release is a welcome development and we encourage FASB to continue its work on these projects.

We believe that there are two additional issues that deserve greater consideration in FASB's process.

First, the history of mark-to-market accounting suggests that prudence is needed in determining where and when it should be deployed during times of financial crisis. Certainly, we are still in the midst of the single worst crisis in the global financial system since the current movement toward mark-to-market accounting began in the mid-1970s. Moreover, the historical experience with mark-to-market in times of crisis is generally a negative one. It was in effect through most of the Great Depression, until it was suspended in 1938 by then-President Roosevelt on the recommendation of the Federal Reserve, which had found that "Bank investments should be considered in the light of inherent soundness . . . and should not be measured by the precarious yardstick of current market quotations which often reflect speculative and not true appraisals of intrinsic worth."

Mark-to-market accounting can work well, but only in efficient markets. Today's markets are anything but efficient.

As the SEC has recognized, improvements to FAS 157 are warranted. These improvements are needed to ensure that FAS 157 is implemented in a rational manner that is not needlessly destructive of wealth. While a suspension of FAS 157 may be warranted, we understand that it would raise challenging issues in its implementation. However, we do believe that there should be a moratorium on any further implementation or extension of FAS 157 until FASB has adequate time to implement and test the needed changes to the FAS 157 framework, to familiarize companies and accountants with these changes, and to make them effective. Or, implementation and extension of FAS 157 could simply be delayed until the market ceases to operate on a crisis footing and asset values stabilize. Putting a moratorium on further implementation FAS 157 until its implications can be explored and its provisions fine-tuned is not a radical suggestion; it is simply recognition that the severity of the recent economic downturn was not adequately anticipated.

Stringent application of FAS 157 will serve to reduce artificially the value of investment portfolios, given the inefficiencies in the present market. Prudence dictates that the downturn not be worsened by the application of untested and inconveniently timed rules.

Second, we believe that further study is needed with respect to the possibility of extending, beyond twelve months, the estimated recovery period for the asset's value. The need for this change has been made more than clear in the current market, where depressed prices for certain assets—collateralized mortgage obligations, for example—have persisted for over a year,

but there remains an expectation that their value will eventually recover as better techniques for valuing their expected income streams can be developed. Forecasting the return on these assets should not be tied to a 12 month period. Rather, a longer time horizon for the smoothing of returns—through both boom and bust markets—would promote market stability and reflect fairer valuations. This has been a practice in the area of pension accounting, and consistent focus on long-term value should be a goal of the FASB.

We urge FASB to consider the two points raised above. If there are any questions about these points, we would be pleased to respond to those questions.

Sincerely,

A handwritten signature in cursive script that reads "Bret A. Conklin".

Bret A. Conklin  
Senior Vice President and Controller  
Horace Mann Educators Corporation