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Sir David Tweedie, Chairman
International Accounting Standards Board
30 Cannon Street
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Ms. Leslie Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Financial Instruments: Impairment – Supplement to ED/2009/12

Dear Chairman Seidman and Sir David:

Thank you for the opportunity to comment on the "Financial Instruments: Impairment - Supplementary Document," issued January 31, 2011 ("SD"). The American Council of Life Insurers ("ACLI") represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States. Our member companies represent over 90 percent of the assets and premiums of the U.S life insurance and annuity industry.

The following provides general comments which summarize our support for or disagreement with elements of the SD, as well as our recommendations for the Boards to consider an improved model. Appendix A provides our responses to the questions enumerated in the SD.

GENERAL COMMENTS

<u>Convergence</u>
As we've indicated in our responses to previous proposals by the FASB and IASB (collectively the Boards) on the topic of financial instruments, and other matters, we fully support the efforts by the Boards to issue converged guidance. However, we do not support the current impairment model as proposed in the SD. With the Boards landing on an approach which combines the separate goals of each Board, we believe the model has attempted to reach convergence at a cost of creating an overly complex and theoretically challenging model. The proposed model appears to lack the representational faithfulness concept in accordance with the Boards' *"Conceptual Framework for Financial Reporting"* issued in September 2010 for reasons we will elaborate, below. In addition, the impairment models proposed, as well as the examples included in the SD, maintain a bank loan portfolio focus and attempt to paint all other types of entities and financial instruments with the same broad brush. We urge the Boards to develop impairment models that are workable for all industries and asset types. From an insurance company standpoint, the impairment model proposed in the SD is unworkable.

Also in regards to convergence, we note there are significant concepts exposed in this SD which have yet to be deliberated by the FASB. We are concerned that the issuance of this document was purported to be a "joint" paper, yet in reading the details of the SD, it is noted the FASB did not deliberate on some of the major aspects of the paper. Our concern is further exacerbated by the fact the IASB has indicated they do not intend to re-expose their views after redeliberation. If the Boards are on different timelines and the IASB issues guidance before the FASB has completed their discussions on the topic, final guidance may likely not be converged. We urge the Boards to finalize this impairment guidance together, in which all issues are jointly deliberated and finalized. We believe the Boards should take the time necessary to deliver a high quality converged impairment standard which we believe is a very critical aspect of the accounting for financial instruments.

<u>Scope</u>

The ACLI agrees with splitting assets in accordance with its internal credit risk management practices, however, the ACLI does not agree with the model as currently proposed in the SD. Insurance companies do not manage their assets for either credit risk management or impairment purposes in accordance with the good book and bad book concept. Rather, an insurance company's assets are primarily managed for impairment individually, and not on a group basis because the types of assets are not homogenous in characteristics that would allow for group evaluation. In addition, the open/closed portfolio concept is not relevant to insurance companies.

We believe the proposed model is relevant for a specific asset class (primarily residential mortgage loans and other consumer loans) in a specific industry (banking institutions). However, we believe the proposed model would not be appropriate or operational for all asset classes across all industries. Assets held by insurance companies which may be subjected to this impairment guidance, include, but are not limited to, public bonds; private placement debt securities; asset-backed and mortgage-backed structured securities; as well as commercial mortgage loan investments. An insurance company evaluates credit risk and impairment on assets individually, which is a different business model than that of a banking institution using the good and bad book concept proposed in the SD. The model proposed in the SD would require insurance companies to revise their impairment procedures, accounting policies and their systems in order to arbitrarily split assets into these good and bad book categories. As a result, we believe the model would be extremely complex and costly to implement for entities other than banking institutions. In addition, we do not see significant improvement in either the accuracy of the impairment allowance calculated or the information provided to the primary user group of the entity's financial statements, other than for banking institutions. We believe assets managed on an individual basis are outside the scope of the SD as currently written. We are providing comments because we are concerned that some of the concepts in the SD will be applied to assets managed on an individual basis without re-exposure.

Finally, in regards to the scope of the guidance, ideally an impairment model should be developed after classification and measurement guidance is finalized. It is difficult for us to comment on an impairment model prior to finalization of classification and measurement guidance as we are unclear as to whether our assets will be subject to this impairment guidance and the relationship between the impairment guidance and the classification and measurement determination of the carrying value of the asset.

<u>Good Book, Bad Book</u>

The ACLI believes the good book, bad book concept is not generally applicable to the insurance industry. The concept is familiar and workable for a banking environment, where large groups of numerous and homogenous assets are managed in an open or closed portfolio such that the law of large numbers makes predicting losses in the aggregate achievable to a high degree of accuracy. However, these types of asset pools are not prevalent among insurance companies who tend to have less numerous, individually larger, separately managed and comparatively unique assets. The model proposed in the SD is neither applicable to nor workable with the strategy used by insurance companies to manage investment assets. Many of the asset types used for insurance company risk management must be evaluated for impairment, first by filtering through impairment-indicating-criteria, and then for those that have impairment indications, by individual evaluation. Consequently, a broad identification as a good book or a bad book would not provide for a proper evaluation of the expected losses for these asset types. We believe our recommended approach more closely measures the economic reality of the assets and business strategy, producing a more realistic and relevant loss estimate than the proposed model.

As we commented in our letter to the FASB regarding the previously issued exposure draft for financial instruments, we believe that a general allowance or an individual assessment based on clear criteria is appropriate, but not both. We believe that an entity should determine the most appropriate method for loss assessment. We do not believe that an individual asset, once determined not to be impaired (or to have expected credit losses in the foreseeable future) should be included in a pool for allowance determination.

<u>Time Proportional Approach</u>

The ACLI does not support the “time-proportional” approach for all asset categories, in all industries. The conceptual framework surrounding generally accepted accounting principles is not meant to provide “smooth” earnings. Rather the income statement will and should reflect annual volatility in accordance with the entity’s business and the environment in which it operates and the economic realities. The time-proportional approach for assets reviewed for impairment on an individual basis is not supported by any concept included within the conceptual framework. We believe the time-proportional approach for non-homogeneous groups of assets, evaluated for impairment on an individual basis, would not provide decision-useful information to an entity’s primary user group and would be costly to implement from an operational standpoint, as well as from an educational standpoint for investors and internal management. We further believe that this approach would not be operational and, as we discuss further herein, would not be reflective of actual loss emergence.

<u>Concepts Supported</u>

The ACLI supports the following concepts for a comprehensive impairment model:

- For the purposes of developing an impairment allowance, assets should be grouped or differentiated on the basis of how assets are evaluated for internal credit risk management purposes.
- Moving from the current incurred loss model to the proposed expected loss model for some types of assets will accelerate recognition of losses that are not specifically identifiable, but are likely based on a homogenous group of collectively-managed assets in the foreseeable future. Development of a modified expected loss model, retaining the analysis concepts for complex and diverse assets (e.g., private corporate debt, some structured securities), will capture losses that are expected to occur in the foreseeable future for individually-managed assets.
- A goal of the impairment approach should be to ensure that the amount of allowance for credit losses at each balance sheet date is adequate to cover reasonably-supportable, expected credit losses in the foreseeable future as determined by the entity based on the characteristics of the asset type.
- “Losses in the foreseeable future” is the determination of expected losses based on all available information, including all reasonably likely and supportable forward-looking information for a period defined by the entity based on the characteristics of the asset(s) being evaluated.
- Credit losses should not be commingled with interest income recognition (de-coupling).

<u>Recommendations</u>

The ACLI believes that the establishment of an impairment allowance should be principles based. We believe an impairment model that aligns with the way an entity manages its assets for credit risk management purposes is relevant and one that can be applied across broader asset classes and industries.

Therefore, as an alternative to the approach recommended in the SD, the ACLI recommends an impairment model based on the following:

- Assets should be segregated for impairment evaluation into one of two classifications: Those managed on a "group" basis and those managed on an "individual" basis. More than one impairment category is needed to be consistent with the way entities manage credit risk and in order to maintain consistency with the classification and measurement guidance. (Due to the nature of the risk management strategies of insurance companies, the majority of our assets, which are debt securities and commercial mortgage loans, would likely fall into the "individual category" for most insurers.)
- The delineation of assets would be based on an entity's determination in connection with the business strategy of the entity (use of the financial instruments) and the characteristics of loss incurrence for the asset type.
- Those assets that fall within the "group" classification would be for those assets in which little or no information is available on the borrower and/or collateral on an on-going basis.
- Those assets for which information is available and looked at by management with sufficient frequency to identify when a credit loss is expected to occur would fall into the "individual" classification.
- Accounting policies and procedures would support an entity's classification.
- The assets that are evaluated on a group basis (typically, homogenous groups of small assets in an open or closed portfolio) would be similar to the good book in the Boards' proposed model. The ACLI believes an appropriate allowance for this category would be based on an expected loss model for the foreseeable future. The inclusion of "foreseeable future" would improve the current incurred loss model by moving toward a realistic expected loss model.
- The assets in the individual group would continue to be based on a modified expected loss model, with immediate loss recognition for all credit losses related to adverse changes in total expected cash flows.
- For consistency and clarity in reporting reversals of those changes in expected cash flows, the same method of recognition should be used, not to exceed the original amount recognized.
- A floor (defined as in a fixed minimum amount of an allowance for all assets) is unnecessary since the model would provide the appropriate inputs for loss recognition allowing for business cycles and market circumstances that would affect the evaluated assets.
- The SD discusses allowances on open portfolios and generally is written to discuss loans as examples. Loans are typically held at amortized cost. Certain assets classes are held at fair value with changes in fair value being recorded in other comprehensive income ("OCI"); therefore, assets with unrealized losses have already been recognized as a reduction of OCI. If an allowance is recorded on an asset class with this distinction, then the allowance is recorded in net income which ultimately reduces equity. Under asset classes with this distinction, decreases in equity would be recorded twice, therefore additional clarification would be necessary to ensure proper adjustments are allowed to be recorded in OCI to offset the allowance entries.

<u>Summary Conclusion</u>

The ACLI member companies recommend an impairment approach that will provide improved accuracy and accelerated recognition of expected losses as determined by an entity based on the characteristics of the assets evaluated in the reasonably-supported, foreseeable future.

For assets managed collectively because of their homogeneous characteristics, and where determination of the amount and timing of the losses for individual assets are not practical, the calculation of a general allowance would be appropriate. In the event that an insurer found this to be the situation, we would support one methodology for loss recognition, but not both of the proposed methodologies.

For assets that are more complex, more individual in their characteristics within an asset type and not managed as a group, we support a modified expected loss approach that would recognize reasonably-supported expected losses in the foreseeable future in a way that best estimates the timing of the losses for that asset type based on analysis anchored in the way the entity manages those assets. We do not support an additional general allowance for assets that are individually evaluated and determined not to have losses in the foreseeable future.

We believe this model would apply across industries and provide the appropriate inputs and outputs for loss recognition allowing for business cycles and market circumstances that would affect the evaluated assets.

Thank you in advance for your consideration of the preceding, and the following comments.

Sincerely,

MMonahan

Michael Monahan
Director, Accounting Policy

APPENDIX A

RESPONSE TO IASB/FASB SUPPLEMENTAL DOCUMENT QUESTIONS:

Question 1

Do you believe the approach for recognition of impairment described in this supplementary document deals with this weakness (i.e., delayed recognition of expected credit losses)? If not, how do you believe the proposed model should be revised and why?

Yes, the IASB/FASB model addresses the "too little too late" issue for consumer and residential mortgage loans for banks. However, we believe the "too little too late" criticism is directed toward the impairment model for loans where a "probable" threshold is still used for impairment recognition, rather than the impairment model currently used under US GAAP for debt securities, which uses a threshold of cash flows expected to be collected. The ACLI is supportive of an expected credit loss model and agree that credit losses should be recognized when they are "expected" in the foreseeable future. The ACLI generally supports an impairment model for those assets managed on a group basis that maintains the concept of a "good book" as proposed in the SD, consistent with our proposals discussed above. For assets managed and evaluated for impairment individually we propose an impairment model similar to the model used under US GAAP for debt securities which considers the cash flows expected to be collected, and recognizes credit losses related to adverse changes in cash flows when determined. We urge the Boards to conduct adequate field testing before the adoption of any impairment model to ensure the results from implementing the model achieve the desired result, can be consistently applied to all asset classes and industries, and is fully integrated with other financial instrument guidance. We are concerned that the proposed model in the SD will result in impairment guidance that swings the pendulum to completely the other side of "too little too late" and that being allowances that become "too much, too early" or unsupportable with other than inchoate determinations.

For this reason, we urge the Boards to re-expose fully-integrated final financial instrument guidance to include all types of financial instruments for all types of portfolios. While we generally agree with the idea behind the comment in paragraph BC4, that only financial assets measured at amortized cost would be subject to impairment accounting, without a full analysis of how an entity's assets might be reclassified and the impact of the impairment guidance on those assets, our response must be indefinite. We are concerned that finalization of impairment guidance without re-exposing and field testing a fully-integrated standard will likely result in unintended consequences and operational barriers that will impede rather than enhance the objectives of the accounting guidance.

For example, bank loans are currently held at amortized cost. For insurance company debt securities that are currently accounted for at fair value through other comprehensive income, reclassifying to amortized cost and recognizing full expected loss, as under this proposal, would effectively treat them as if they were being fair valued through the P&L. This does not reflect an insurance company's use and management of its assets and counters the feedback provided in the original FASB ED on financial instruments proposing fair value through net income of all assets.

Question 2

Is the impairment model proposed in the supplementary document at least as operational for closed portfolios and other instruments as it is for open portfolios? Why or why not?

Although the supplementary document seeks views on whether the proposed approach is suitable for open portfolios, the boards welcome any comments on its suitability for single assets and closed

portfolios and also comments on how important it is to have a single impairment approach for all relevant financial assets.

Insurance companies do not generally manage invested assets using the concept of open and closed portfolios and, as a result, this concept is not relevant to insurance companies. However, the ACLI believes this IASB/FASB impairment model is probably workable for open and closed portfolios, but we do not agree that the impairment model proposed in the SD is operational for assets assessed for impairment on an individual basis. For those assets evaluated individually for impairment, the classification into good and bad book would be arbitrary, not provide decision-useful information and would not accurately reflect the insurance company's business strategy for using those invested assets. If we were required to apply this guidance for individually impaired assets, we believe robust implementation guidance would be necessary relating to how assets previously evaluated individually for impairment should now be grouped into portfolios. We are concerned that the model proposed in the SD would result in the accounting guidance driving the way a company manages and monitors credit risk, rather than the credit risk management of an entity driving the accounting model utilized to recognize impairment. The ACLI does not believe in one single "mechanical" impairment approach or methodology. Rather there can be consistency in recognition and measurement principles, but the techniques used to evaluate the asset for impairment should be based on the credit risk management approach for a particular asset or group of assets.

Implementation guidance and examples tailored toward debt securities, including differentiation for structured securities, would permit companies within the insurance industry and other interested parties to provide more meaningful comments related to feasibility and usefulness of new impairment guidance. Additionally, modification of existing guidance such as specific and general reserves for commercial mortgage loans would be more operational and technologically feasible as users could leverage off of existing processes and systems

Question 3
Do you agree that for financial assets in the 'good book' it is appropriate to recognize the impairment allowance using the approach described above? Why or why not?

Yes. The ACLI agrees with a good book allowance for assets with homogenous characteristics and, consistent with the entity's credit risk management, the assets are managed as a group. However, we do not agree with the concept proposed in the SD of requiring multiple calculations of an allowance for credit loss using both the time-proportional approach and the requirement to also calculate a "floor". This model is overly complex and would require two sets of calculations, assumptions and analysis. In addition, we believe this approach will be very confusing to users and expensive to operationalize. The ACLI does not agree with a loss at inception unless identified on an individual basis, and so identified as an expected credit loss impairment. For a homogenous group of assets, we would support an allowance calculation based on expected credit losses for the foreseeable future.

Question 4
Would the proposed approach to determining the impairment allowance on a time-proportional basis be operational? Why or why not?

The time-proportional approach may be operational for certain asset classes (mortgage loans and other consumer loans); however due to its complexity, lack of theoretical justification and the lack of decision-useful information for non-homogeneous assets it will provide to the users of the financial statements, the ACLI does not recommend this approach.

Question 5
Would the proposed approach provide information that is useful for decision-making? If not, how would you modify the proposal?

The ACLI believes overall the IASB/FASB proposal in the SD will be confusing to users, require too much judgment, and will be not be comparable across entities. As noted in our response to question 1, we believe the impairment model should be modified to incorporate an entity's credit risk management, which we believe will provide users with more decision-useful information regarding how credit risk is managed within the business. Further, to improve comparability the Boards should define circumstances when it is appropriate to use a straight line or discounted approach. For example, a general allowance would not be discounted, but an allowance representing securities with individually identified credit loss would be discounted (as noted in paragraphs 12-16 of FASB Statement 114).

Question 6
Is the requirement to differentiate between the two groups (i.e., "good book" and "bad book") for the purpose of determining the impairment allowance clearly described? If not, how could it be described more clearly?

Yes. We believe the requirement to differentiate between the good book and bad book is adequately described. However, we do not believe the model is appropriate or applicable across all industries and investment types and as such, we do not support the model proposed in the SD. As described in our response to question 1 and in our letter, we support a model that is aligned with an entity's credit risk management for assets evaluated for impairment on an individual or grouped basis.

Question 7
Is the requirement to differentiate between the two groups (i.e., "good book" and "bad book") for the purpose of determining the impairment allowance operational and/or auditable? If not, how could it be made more operational and/or auditable?

As described in our general comments, insurance companies do not group invested assets using a good and bad book concept. As such, significant operational and procedural changes would be required which would be expensive and complex to initiate. We would incur significant upfront one-time costs and potentially certain on-going costs for the insurance industry, including education of internal management and investors. The impairment model proposed by the ACLI would be less expensive and more operational, as well as more relevant and suitable.

While the model proposed in the SD may be operational, that does not mean it is an appropriate model for all types of assets, as we've noted above. As a result, we do not support the impairment model proposed in the SD, and believe our proposed model as outlined in our general comments, is operational, relevant and suitable to a broader spectrum of entities and assets.

Question 8
Do you agree with the proposed requirement to differentiate between the two groups (i.e., "good book" and "bad book") for the purpose of determining the impairment allowance? If not, what requirement would you propose and why?

The ACLI does not agree with splitting between good book and bad book for all assets across all industries. This classification works for banking institutions, but not for insurance companies.

Please see our responses to questions 1, 6 and 7 for more information regarding the impairment model we propose.

Question 9

The boards are seeking comment with respect to the minimum allowance amount (floor) that would be required under this model. Specifically, on the following issues:

(a) **Do you agree with the proposal to require a floor for the impairment allowance related to the "good book"? Why or why not?**
- An amount calculated for the purpose of requiring a minimum allowance amount is unnecessary since the impairment model we recommend would provide the appropriate inputs for loss recognition allowing for business cycles and market circumstances that would affect the evaluated assets. ACLI does not agree with an immediate recognition of loss for all assets upon initial recognition as we do not believe this is consistent with a fair value concept.

(b) **Alternatively, do you believe that an entity should be required to invoke a floor for the impairment allowance related to the "good book" only in circumstances in which there is evidence of an early loss pattern?**
- ACLI does not agree an immediate loss should be recognized for assets without an early loss pattern. We believe that losses recognized should reflect the incurrence pattern of the assets and not be an arbitrary addition to the financial statements for a cushion.

(c) **If you agree with a proposed minimum allowance amount, do you further agree that it should be determined on the basis of losses expected to occur within the foreseeable future (and no less than twelve months)? Why or why not? If you disagree, how would you prefer the minimum allowance to be determined and why?**
- ACLI does not agree with a minimum allowance for all performing assets. Rather, for assets evaluated on a group basis, we agree with an allowance based on expected loss for the foreseeable future. However, we believe the Boards need to provide further clarity surrounding the term "foreseeable future", which we believe should be defined by an entity based on the characteristics of the assets. This is especially necessary to forestall future conflicts over interpretation and in light of the fact that some jurisdictions have regulatory guidance which set precedent as to the length of the foreseeable future and evidence suggests that period would be shorter than the US regulatory environment, putting the US regulated companies at a competitive disadvantage. Without further clarity from the Boards, we are concerned bright lines and rules of thumb are likely to be developed. In addition, the purpose of convergence is to make financial statements more comparable. With different interpretations of "foreseeable future," comparability could not be achieved.

(d) **For the foreseeable future, would the period considered in developing the expected loss estimate change on the basis of changes in economic conditions?**
- Yes. We agree that "foreseeable future" should change as economic conditions change and could vary based on the characteristics of the assets.

(e) **Do you believe that the foreseeable future period (for purposes of a credit impairment model) is typically a period greater than twelve months? Why or why not? Please provide data to support your response, including details of particular portfolios for which you believe this will be the case.**
- We believe that the foreseeable future would vary by asset class. For example for certain structured securities, that period may be as long as the life of the securities, whereas for commercial mortgage loans it would likely not be possible to estimate expected losses over the life of the loan as the occupancy rates and business cycles move.

(f) **If you agree that the foreseeable future is typically a period greater than twelve months, in order to facilitate comparability, do you believe that a "ceiling" should be established for determining the amount of credit impairment to be recognized under the "floor" requirement (for example, no**

more than three years after an entity's reporting date)? If so, please provide data and/or reasons to support your response.

- We believe implementation guidance will be required to provide further clarity that the foreseeable future should be determined by the entity based on the use and characteristics of the asset. We do not generally agree with any bright line rules (i.e. 3 year ceiling) which likely would be arbitrary.

Question 10

Do believe that the floor will typically be equal to or higher than the amount calculated in accordance with paragraph 2(a)(i)? Please provide data and/or reasons to support your response, including details of particular portfolios for which you believe this will be the case.

We do not have sufficient information to be able to answer this question, and although we have general ideas on this issue, we do not have any supportable information to share. Insurance companies do not currently use the good book and bad book model proposed in the SD and do not support the use of this model. As a result, we urge the Boards to conduct extensive field testing on the impairment model proposed in the SD to ensure the final guidance is fully vetted.

Question 11

The boards are seeking comment with respect to the flexibility related to using discounted amounts. Specifically, on the following issues:

(a) Do you agree with the flexibility permitted to use either a discounted or undiscounted estimate when applying the approach described in paragraph B8(a)? Why or why not?

(b) Do you agree with permitting flexibility in the selection of a discount rate when using a discounted expected loss amount? Why or why not?

Insurance companies are accustomed to using both discounted and undiscounted amounts under various bases of accounting. Typically, undiscounted methods are more conservative and are used to assure higher capital retention and solvency. For purposes of shareholder reporting, we do not agree with flexibility (options) in allowing discounted or undiscounted methods in determining lifetime expected losses, nor do we agree with flexibility in determining the discount rate. This flexibility would impede comparability and consistency with prior periods and with other entities. We believe methods should be consistently applied and disclosed. For example, a general allowance would not be discounted, but an allowance representing securities with individually identified credit loss would be discounted (as suggested in paragraphs 12-16 of FASB Statement 114.)

Question 12

Do you prefer the IASB approach for open portfolios of financial assets measured at amortized cost to the common proposal in this document? Why or why not? If you would not prefer this specific IASB approach do you prefer the general concept of the IASB approach (i.e., to recognize expected credit losses over the life of the assets)? Why or why not?

No we do not agree with the IASB only model, rather we support the model as described in our response to question 1 and in our general comments, which should address all assets subject to impairment.

Question 13

Would you prefer the FASB approach for assets in the scope of this document to the common proposal in this document? Why or why not? If you would not prefer this specific FASB approach, do you prefer the general concept of this FASB approach (i.e., to recognize currently credit losses expected to occur in the foreseeable future)? Why or why not?

No we do not agree with the FASB only model. Rather, we support the model as described in our response to question 1 and in our general comments.

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Question 14Z
Do you agree that the determination of the effective interest rate should be separate from the consideration of expected losses, as opposed to the original IASB proposal, which incorporated expected credit losses in the calculation of the effective interest rate? Why or why not?

Yes. We do not believe that commingling interest and credit loss recognition will be beneficial or clear to financial statement users. In addition, we do not believe that it would be operational to integrate the two components.

Question 15Z
Should all loan commitments that are not accounted for at fair value through profit or loss (whether within the scope of IAS 39 and IFRS 9 or IAS 37) be subject to the impairment requirements proposed in the supplementary document? Why or why not?

Loan commitments are not a significant part of the investment portfolios for insurance companies. We believe the impairment model we've proposed is applicable to all types of assets and provides enough guidance for appropriate impairments to be determined.

Question 16Z
Would the proposed requirements be operational if applied to loan commitments and financial guarantee contracts? Why or why not?

For reasons we've outlined in our general comments and our responses to the questions, above, we do not support the SD impairment proposal. We believe the impairment model we've proposed is applicable to all types of assets and provides enough guidance for appropriate impairments to be determined, even for loan commitments and financial guarantee contracts (purchased separately) if and when utilized as investment assets in an insurance company.

Question 17Z
Do you agree with the proposed presentation requirements? If not, what presentation would you prefer instead and why?

We believe changes to financial statement presentation for impairments should be deferred and considered within the Financial Statement Presentation Project. For many of the same reasons articulated in the Financial Instruments Reporting and Convergence Alliance ("FIRCA") letter in response to the FASB Discussion Paper and the IASB Request for Views on Effective Dates and Transition Methods, we are concerned with the impact of disconnected changes to the financial statements on the ability of an entity to clearly communicate with investors and other stakeholders. We believe a more measured approach should be taken to the changes required by various accounting guidance being developed and integration of those changes should be evaluated together as a part of a comprehensive presentation concept.

Question 18Z

(a) Do you agree with the proposed disclosure requirements? If not, which disclosure requirements do you disagree with and why?

(b) What other disclosures would you prefer (whether in addition to or instead of the proposed disclosures) for the proposed impairment model and why?

The ACLI shares concerns with the Group of North American Insurance Enterprises ("GNAIE") that some of the disclosures proposed introduce additional complexity and are not fully integrated with the concepts of the proposed accounting guidance for impairments.

Overall, we believe changes to financial statement presentation for impairments should be deferred and considered within the Financial Statement Presentation Project and a reactivated Disclosure Framework Project. For many of the same reasons articulated in the FIRCA letter in response to the FASB Discussion Paper and IASB Request for Views on Effective Dates and Transition Methods, we are concerned with the impact of disconnected changes to the financial statements on the ability of an entity to clearly communicate with investors and other stakeholders. We believe a more measured approach should be taken to the changes required by various accounting guidance being developed and integration of those changes should be evaluated together as a part of a comprehensive presentation and disclosure concept.

Question 19Z

Do you agree with the proposal to transfer an amount of the related allowance reflecting the age of the financial asset when transferring financial assets between the two groups? Why or why not? If not, would you instead prefer to transfer all or none of the expected credit loss of the financial asset?

As previously stated, we do not believe the good book and bad book concept is appropriate for all assets and for all entities, specifically for insurance companies. We believe that the impairment model we've proposed is more comprehensive and compatible with a broad spectrum of entities and for communicating the risk management strategy of the entity. We further believe that the model we've proposed will maintain an appropriate and up-to-date level of both specific and collective impairment estimates without moving between the extremes of too-little-too-late and overly subjective estimates.