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Susan M. Cospers, Technical Director
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401 Merritt 7
PO Box 5116
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File Reference No. 2013-220

Dear Ms. Cospers,

Aflac, Inc. (Aflac) welcomes the opportunity to share with you our views regarding Exposure Draft (Reference No 2013-220) of the Proposed Accounting Standards Update Financial Instruments: Recognition and Measurement of Financial Assets and Financial Liabilities. The goal of the Board to address application questions from interested parties, consider the interaction of the classification and measurement model with other existing standards that may have overlap, and reduce key differences with the IASB's Classification and Measurement: IFRS 9 model is acknowledged and appreciated by Aflac.

Aflac Incorporated is a general business holding company and acts as a management company, overseeing the operations of its subsidiaries by providing management services and making capital available. Its principal business is supplemental health and life insurance, which is marketed and administered through its subsidiary, American Family Life Assurance Company of Columbus (Aflac), which operates in the United States (Aflac U.S.) and as a branch in Japan (Aflac Japan). Most of Aflac's policies are individually underwritten and marketed through independent agents. Additionally, Aflac U.S. markets and administers group products through Continental American Insurance Company (CAIC), referred to as Aflac Group Insurance. Our insurance operations in the United States and our branch in Japan service the two markets for our insurance business.

Aflac offers voluntary insurance policies in Japan and the United States that provide a layer of financial protection against income and asset loss. We continue to diversify our product offerings in both Japan and the United States. Aflac Japan sells voluntary supplemental insurance products, including cancer plans, general medical indemnity plans, medical/sickness riders, care plans, living benefit life plans, ordinary life insurance plans and annuities. Aflac U.S. sells voluntary supplemental insurance products including loss-of-income products (life and short-term disability plans) and products designed to protect individuals from depletion of assets (hospital indemnity, fixed-benefit dental, vision care, accident, cancer, critical illness/ critical care, and hospital intensive care plans).

Our general comments regarding the matters addressed in the Exposure Draft are as follows:

We support the efforts of the FASB and IASB towards convergence in the Financial Instruments and Insurance Contracts projects. For insurers, the interdependence of the two projects makes it more challenging to interpret the impact of one project without seeing the other. It is noted that the current Classification and Measurement exposure was drafted in part to align with the anticipated Insurance Contracts exposure.

Our comments regarding Questions for Respondents are as follows:

Scope

Question 1: Do you agree with the scope of financial instruments included in this proposed Update? If not, which other financial instruments should be included or excluded from the guidance in this proposed Update and why?

Response: Aflac agrees primarily with the scope of financial instruments included in this proposed Update except for mortgage loans (per 825-10-15-8d (1)). We believe mortgage loans subject to subtopic 944-310 should be excluded from the guidance in this proposed update. Extant GAAP requires mortgage loans to be recorded at amortized cost, which includes the presumption that an individual mortgage loan traditionally has less liquidity than investment grade debts and is complex in valuation. If included in-scope, mortgage loans will have to be recorded at fair value with changes recorded to either other comprehensive income ("OCI")/net income or amortized cost depending on the business model. Mortgage loan issues, such as default and foreclosures are significantly different than debt securities and other financial instruments, and add variable measures of complexity to fair value for OCI or net income recognition on periodic reporting bases. Fair value of mortgage loans individually and in volume will create significant operational difficulty, including identifying relevant interest factors, credit risk and terms features. Therefore, we suggest the board retain the accounting treatment or include an option to retain the treatment of amortized cost for mortgage loans.

Question 2: Do you agree with the industry-specific specialized guidance scope exceptions in paragraph 825-10-15-9? If not, why? What would you propose instead?

Response: Aflac agrees with the industry-specific specialized guidance scope exceptions, except for 825-10-15-8d (1) which states the following:

- "A financial instrument within the scope of Topic 944 except for the following, which are included in the scope of this Subtopic:*
- 1. A mortgage loan subject to Subtopic 944-310. However, the presentation requirements for mortgage loans in Section 944-310-45 remains in effect."*

Aflac proposes that mortgage loans within the industry-specific specialized guidance should be included in scope exceptions and continue to be measured at amortized cost.

Contractual cash flow characteristics assessment

Question 3: The proposed amendments would require an entity to classify financial assets into the appropriate subsequent measurement category (that is, at amortized cost, at fair value with qualifying changes in fair value recognized in other comprehensive income, or at fair value with all changes in fair value recognized in net income) on the basis of the contractual cash flow characteristics of the instrument and the business model within which financial assets are managed. Does the classification of financial assets based on the cash flow characteristics and the business model assessment provide decision-useful information? If yes, how will this classification influence your analysis of the entity? If not, why?

Response: We agree that assessing the cash flow characteristics and business model provides decision useful information in the classification and measurement of financial instruments. The business model assessment does influence our entity analysis because it adds a new category with the objective to both hold and sell financial assets as compared to the extant model which only includes held to maturity or available for sale. We anticipate that this additional category will add greater transparency and provide decision-useful considerations for our investment strategies in the future.

Question 4: Do the proposed amendments appropriately convey the principle associated with the contractual cash flow characteristics assessment? If not, why? What would you propose instead?

Response: Aflac generally agrees with the subsequent measurement categories (amortized cost ("AC"), at fair value with qualifying changes in fair value recognized in other comprehensive income ("FV-OCI"), or at fair value with all changes in fair value recognized in net income ("FV-NI")). However, in certain instances, determining the subsequent measurement category is more complex due to the solely payments of principal and interest ("SPPI") test for modification. For example, Aflac holds significant investments in Reverse Dual Currency ("RDC") bonds that receive coupon in one currency, and receive principal in another currency (i.e. USD/Yen). Aflac's intention for these securities under the current standard is to hold-to-maturity or hold-for-sale, as our asset management strategy reflects our business model intent. The proposed definition of SPPI defines interest as the consideration for interest and credit risk; however, in these

RDC bonds, foreign currency risk will affect the actual yield of the bond even with no change in interest and credit risk. For Aflac, these RDC bonds are managed in conjunction with our asset liability matching strategy, which includes long term exposure to foreign currency liabilities due to our significant investment in foreign operations. Therefore the proposed subsequent measurement category of FV-NI will create significant mismatch with the liabilities and volatility on the reported earnings. Furthermore, common securities that are traditionally held at amortized cost such as mortgage loans with a "5/1 ARM" feature (5 year fixed and reset every year after) will have to be categorized in FV-NI. We prefer that the board consider FV-OCI as the default classification category and the resulting cash flows tests would determine when an instrument should be classified as amortized cost of FV-NI, rather than the existing FV-NI default approach.

Question 5: The proposed amendments define principal as the amount transferred by the holder at initial recognition. Should the definition of principal be expanded to include repayment of the principal amount at maturity or other settlement? If so, what instruments would fail (or pass) the contractual cash flow characteristics criterion as a result of this change?

Response: Aflac does not believe that the definition of principal should be expanded to include repayment of the principal amount at maturity or other settlement. A variety of investments will likely fail the contractual cash flow characteristics criterion as a result of this change in definition, specifically instruments with foreign currency characteristics for which the subsequent repayment of the principal amount will be affected by foreign currency gain or loss while the interest payments remain consistent. We believe expanding this definition as proposed unduly influences the accounting treatment of foreign currency affected instruments.

Question 6: Do the proposed amendments contain sufficient application guidance and illustrations on implementing the cash flow characteristics assessment? If not, why?

Response: Aflac believes the application guidance and illustration on implementing the cash flow characteristics is beneficial. However, we believe additional guidance is necessary to clarify the nature of modified economic relationships beyond the current illustrations. We suggest specific guidance and interpretive examples of modifications that would not alter the characteristic assessment of solely payments of principal and interest for the following:

- Expected maturity dates vs. fixed maturity dates
- Reverse Dual Currency Bonds in which the interest is paid in one currency and the principal is paid in another
- Other securities that might pose a challenge in assessing for modified economic relationships include structured securities in which the security and the underlying have varying degrees of a modification, such as:
 - Debt securities with premiums, discount, call or put options,
 - Corporate bonds with redemption features,
 - Perpetual securities,
 - Asset back securities,
 - Residential mortgage back securities, and
 - Commercial mortgage back securities.
- Securities with an interest rate reset feature that is based on a rate without a determined tenure, such as prime rate.

Additionally, the guidance in 825-10-55-64 to 69 for securitization involving subordination and fixed-rate tranches (Case A) and fully funded synthetic collateralized debt obligation with multiple tranches (Case B) should further clarify the process of looking through to the underlying pool. Additional clarification is necessary to help determine if the underlying pool consists primarily of instruments that are not solely payment of principal and interest. The proposed standard requires when there is one instrument within the underlying pool that has contractual cash flows that are not solely payments of principal and interest then the overall security will still meet the requirement of SPPI. Furthermore, as prepayment and credit loss can occur at different speed and intervals throughout the life of a security, some structured securities may no longer have an instrument in the underlying that meets the requirement of 825-10-55-26(b). Similarly, a structured security may no longer meet the requirement in 825-10-55-26(c) due to credit deterioration in the underlying pool, causing the cash flow characteristics assessment to be different. In those instances, the subsequent measurement category of that structured security might be different when an entity buys a certain structured security at different time. Therefore, the timing and assumptions involved with the purchase of a beneficial interest in securitized financial assets could result in varying classifications within an entity and across the industry per the proposed standard. We suggest the board review further and provide specific application guidance on these types of instruments can help clarify how the economic relationship should be assessed.

Question 7: Should a financial asset with a contractual term that modifies the economic relationship (see paragraphs 825-10-55-17 through 55-20) between principal and interest be considered to contain cash flows that are solely payments of principal and interest? Should this be the case if, and only if, the contractual cash flows could or could not be more than insignificantly different from the benchmark cash flows as discussed in paragraph 825-10-55-19? If not, why? What would

you propose instead?

Response: Aflac agrees that financial assets with modified economic relationships can be considered for contractual cash flow characteristic assessment purposes as solely payments of principal and interest. Aflac has invested in certain hybrid securities that were purchased and managed for the expected investment return from interest income and for the cash flows from the expected principal payments. Modified economic relationships for these securities can include, for example, expected maturity dates that are driven by economic factors, interest leverage and prepayment clauses. Furthermore, some of these securities have rights to defer interest payments without the ability to accrue on the deferred interest. A modified economic relationship should not automatically preclude certain assets from the determination of solely payments of principal and interest and ultimately prevent those assets from the classification of amortized cost or fair value with changes through OCI.

We suggest the board to first clarify 825-10-55-17 for the definition of “more than insignificant leverage” and include additional guidance that would give examples of how “more than insignificant leverage” would be determined in various situations. We further suggest clarification of whether “more than insignificant leverage” is determined in relationship to an individual security or the aggregate portfolio.

While we agree in certain circumstances comparison to a benchmark instrument is appropriate when considering the effect of modification on the economic relationships, we do not believe this comparison should be required for every financial instrument. Operationally this requirement would place an additional burden on the industry to obtain sources of appropriate benchmarking instruments in addition to the measurement requirements for the actual financial instrument. We suggest the board remove this requirement and add clarification or a practical expedient for only certain complex instruments or instruments with terms that are known to create modification variability. We also recommend that additional guidance provide examples of how ‘not more than insignificant’ as defined would be evaluated. Finally, we suggest clarification as to whether significance is determined in relationship to an individual security or the aggregate portfolio.

Question 8: Do the proposed amendments contain sufficient application guidance in paragraphs 825-10-55-17 through 55-20 on assessing a modified economic relationship? If not, why?

Response: Aflac believes that operational application guidance included is beneficial. However, we recommend additional clarification of the nature of modified economic relationships beyond the current illustrations. We suggest specific guidance and interpretive examples of modifications that would not alter the characteristic assessment of solely payments of principal and interest, such as expected maturity dates vs. fixed maturity dates. In that regard, we recommend the board provide examples as to whether significant modification can be benchmarked and evaluated based on principal only, interest only or both. Also, see responses to question 6 above.

Question 9: For beneficial interests in securitized financial assets, the proposed amendments would require an entity to look through to the underlying pool of instruments in determining whether the tranche contains payments of solely principal and interest. Do you agree with this look-through approach? If not, why? What would you propose instead?

Response: Aflac does not agree with this approach because it allows a securitized financial asset to have a different subsequent measurement category depending on when the financial asset is purchased. For example, a securitized financial asset might meet the requirement of 825-10-55-26(b) initially, and in subsequent periods, all the instruments in the underlying pool that meet 825-10-55-26(b) might have prepaid or defaulted where additionally upon original purchase those same instruments might fail the requirements of 825-10-55-26(b). Similarly, a securitized financial asset can meet the requirement of 825-10-55-26(c) initially and due to subsequent credit losses will no longer meet 825-10-55-26(c) on additional purchases.

In addition, the look-through assessment for interests in securitization create significant operation difficulty and in some circumstances will have the unintended consequence of categorizing a majority of securitized assets into FV-NI due to the lack of information available to assess the cash flows of each instrument in the underlying pool. Moreover, to meet the requirements of 825-10-55-26(c), the board should consider additional illustrative guidance as the analysis will depend on the credit assumptions used. For example, different levels of credit loss assumption can either cause the securitized financial asset to pass or fail 825-10-55-26(c).

Aflac believes the assessment can be simplified to an evaluation of whether the tranche is SPPI upon purchase based on representative cash flow characteristics and business model assumptions relevant to the tranche at the date of purchase.

Business model assessment

Question 10: Do the proposed amendments appropriately convey the principle associated with the business model

assessment? If not, why? What would you propose instead?

Response: Yes, Aflac believes the proposed amendments appropriately convey the principle associated with the business model assessment.

Question 11: Do the proposed amendments provide sufficient application guidance and illustrations on how to distinguish among the three business models, including determining whether the business model is to manage assets both to collect contractual cash flows and to sell? Do you agree with the proposed guidance provided to describe those business models? If not, why?

Response: Aflac believes the operational application guidance provided is beneficial and we appreciate the insurance specific example provided in 825-10-55-84. However, we suggest adding multiple comprehensive and thorough examples that clarify how the three business models should be considered. The current exposure draft allows considerable management discretion that can lead to inconsistency in the application among issuers.

In that regard, we suggest specific guidance and interpretive examples of the following:

- Required changes to the objective of the entity's business model in the event of deterioration in the assets' credit quality such that they no longer meet the entity's documented investment policy to hold the financial assets to collect the contractual cash flow
- The magnitude of deterioration in the credit quality required to be considered consistent with the business objective, and whether contagion or tainting would be required for consideration even on infrequent sales
- Definition, guidance and illustration of terms such as 'infrequent', 'significant' and 'insignificant' in the context of the continued assessment of the business objective due to sales in the portfolio

Question 12: Should the classification and measurement model for financial instruments contain an explicit tainting notion or should it rely on the principle and exercise of professional judgment? Why?

Response: The classification and measurement model for financial instruments should contain the notion of tainting, but should not prescribe the specific evaluation metrics given the increased evaluation of characteristics and assessments proposed by this standard. Entities should be allowed to rely on principle and exercise professional judgment based on the business intent of the instrument and related potential tainting transaction (transfers or sales).

Question 13: The proposed amendments would require loan commitments, a revolving line of credit, or a commercial letter of credit (the potential creditor) to be measured on the basis of the likelihood of exercise of the commitment and the classification of the underlying loan that would be made upon exercise of the commitment. Do you agree with the proposed classification of loan commitments? If not, why? What would you propose instead?

Response: No Comment

Measurement

Question 14: Do you agree with the initial measurement principles for financial instruments? If not, why?

Response: Aflac agrees with the initial measurement principles for financial instruments.

Question 15: The proposed amendments would eliminate the unconditional fair value option (for financial instruments within the scope of this proposed guidance) in existing U.S. GAAP and, instead, permit an entity to elect to measure at fair value, with all changes in fair value recognized in net income, all of the following:

- a. A group of financial assets and financial liabilities if the entity both:
 1. Manages the net exposure relating to those financial assets and financial liabilities (which may be derivative instruments) on a fair value basis
 2. Provides information on that basis to the reporting entity's management.
- b. Hybrid financial liabilities that meet certain prescribed criteria.
- c. Financial assets that meet the contractual cash flow characteristics criterion and are managed within a business model that has the objective of both holding financial assets to collect contractual cash flows and selling financial assets (in accordance with paragraph 825-10-25-25(b)).

Do these options provide decision-useful information? If not, why?

Response: We suggest the board continue to allow the unconditional fair value option, as it does provide decision useful information.

Question 16: Should financial liabilities subsequently be measured at amortized cost, unless certain exceptions are met? If not, why?

Response: Aflac agrees that financial liabilities subsequently be measured at amortized cost, unless certain exceptions are met.

Question 17: The proposed amendments would require a nonrecourse financial liability that is settled with only the cash flows from the related financial assets (see paragraph 825-10-35-11) to be measured on the same basis as those assets. Do you agree with the proposed amendments? If not, why? What would you propose instead?

Response: Aflac agrees with the proposed amendments that would require a nonrecourse financial liability that is settled with only the cash flows from the related financial assets to be measured on the same basis as those assets. The assets are managed based on the financial liability and should be accounted for similarly.

Question 18: The proposed amendments would require financial assets measured at amortized cost that are subsequently identified for sale to continue to be classified and measured at amortized cost less impairment and would prohibit recognition of the gain, until the sale is complete. Do you agree with the proposed classification and measurement requirements? If not, why?

Response: Aflac agrees with the proposed amendments requiring financial assets measured at amortized cost that are subsequently identified for sale to continue to be classified and measured at amortized cost less impairment and any additional losses would continue to reduce the amortized cost held in the classification.

Question 19: The proposed amendments would provide a practicability exception for measuring equity investments without readily determinable fair values that do not qualify for the practical expedient in paragraph 820-10-35-59 (that is, the net asset value per share expedient) and a one-step impairment model for all equity investments subject to the practicability exception. Do you agree with the proposed amendments? If not, why?

Response: Aflac agrees with the proposed amendments.

Question 20: Should an entity evaluate the need for a valuation allowance on a deferred tax asset related to a debt instrument measured at fair value with qualifying changes in fair value recognized in other comprehensive income separately from the other deferred tax assets of the entity (rather than combined and analyzed together)? If not, why?

Response: Aflac agrees that an entity should separately evaluate the need for a valuation allowance on deferred tax assets related to unrealized losses on debt instruments. Specific guidance should be issued to avoid inconsistent treatment among entities in the future. This guidance should clarify that entities need apply the relevant tax laws when determining the entity's ability to realize these deferred tax assets. Clarification should assure that the entity can continue to support deferred tax assets ("DTA") related to unrealized losses in other comprehensive income ("OCI") with an entity's carryback potential, its ability to generate future taxable income, its other recorded deferred tax liabilities, and tax planning strategies that are prudent and feasible consistent with current practice.

Question 21: Under the amendments in this proposed Update, hybrid financial assets would not be required to be analyzed for bifurcation under Subtopic 815-15 and would be assessed in their entirety on the basis of the proposed classification requirements. In contrast, hybrid financial liabilities would be assessed for bifurcation and separate accounting under Subtopic 815-15, and the financial liability host contract would be subject to the proposed amendments. Do you agree with this proposal? If not, why? What would you propose instead?

Response: Aflac agrees with this proposal.

Question 22: The proposed amendments would require reclassification of financial assets when a change in business model occurs and prescribes how those changes should be subsequently accounted for. Do you agree with the proposed amendment on reclassifications? If not, why?

Response: Aflac agrees with the proposed amendments that would require reclassification of financial assets when a change in business model occurs.

Presentation and Disclosure

Question 23: The proposed amendments would require public entities to parenthetically present fair value for items measured at amortized cost on the face of the statement of financial position. Does that presentation requirement provide decision-useful information? If not, why? What would you propose instead?

Response: Aflac does not believe that the parenthetical presentation of fair value for items measured at amortized cost on the face of the statement of financial position will provide decision-useful information. Fair value is currently a disclosure in the footnote, and additional disclosure on the face of the statement of financial position will create redundancy. Moreover, measurement at amortized cost represents a more appropriate recognition and disclosing the fair value measurement can create confusion and potentially convolute the balance sheet for users of the financial statements. Aflac believes the existing disclosure of fair value is sufficient in providing the needed decision-useful information.

Question 24: *The proposed amendments would exempt nonpublic entities from parenthetical and footnote disclosures of fair value. Should nonpublic entities be required to parenthetically present fair value information on the face of the statement of financial position for financial instruments measured at amortized cost? If not, should fair value disclosures in notes to the financial statements be required for some or all nonpublic entities for financial instruments measured at amortized cost?*

Response: No Comment.

Question 25: *The proposed amendments would require an entity to separately present changes in fair value attributable to changes in instrument-specific credit risk in other comprehensive income for financial liabilities for which that entity has elected the fair value option. Would the proposed presentation requirement provide decision-useful information? If not, why? What would you propose instead?*

Response: Aflac agrees that changes in fair value attributable to changes in instrument-specific credit risk should be recorded in other comprehensive income for financial liabilities for which that entity has elected the fair value option.

Question 26: *The proposed amendments would require an entity to separately recognize in net income changes in fair value attributable to foreign currency gain or loss on foreign-currency-denominated debt securities measured at fair value through other comprehensive income (see paragraphs 825-10-45-14 through 45-15). Is the proposed fair-value-based method provided for computing the foreign currency gain or loss component operable? If not, why? What would you propose instead?*

Response: The proposed fair-value-based method provided for computing the foreign currency gain or loss component is operable. However, additional illustrative transition guidance will be helpful for existing foreign-currency-denominated debt securities measured at FV-OCI that already have significant balances in OCI due to historic foreign currency gain or loss. We recommend that the board clarify this paragraph in context of existing or proposed foreign currency hedge accounting treatment and add additional interpretive guidance.

Question 27: *The proposed amendments would require a public entity to provide disclosure of the core deposit liability balance, implied weighted-average maturity period, and the estimated all-in-cost-to-service rate by significant type of core deposit liability. Do you agree with the proposed disclosure requirement and, if so, how would you use that information? If not, what information should be provided and why? Is it appropriate not to require this information for nonpublic entities?*

Response: No Comment.

Question 28: *Are there any other disclosures that would provide decision-useful information and why?*

Response: No Comment.

Question 29: *Do you agree with the proposed disclosure requirements? If not, which disclosure requirement would you change and why?*

Response: Aflac agrees with the proposed disclosure requirements. See response to question 23 above.

Transition and Open Effective Date Information

Question 30: *Should an entity be permitted to early adopt only the proposed presentation requirements related to changes in instrument-specific credit risk for hybrid financial liabilities that would qualify for the fair value option under the proposed requirements? If not, why?*

Response: We believe early adoption of the final version of the Financial Instruments standard should not be allowed for any entities. We acknowledge the Board's basis for conclusions regarding the phased approach of the Financial Instruments project. However, as noted in the Exposure Draft, this piecemeal approach raises the issue of lack of comparability among reporting entities and adds further inconsistency. See also our response to question 32.

Question 31: Should the effective date be the same for both public entities and nonpublic entities?

Response: Aflac believes the effective date should be the same for both public and nonpublic entities.

Question 32: How much time is needed to implement the proposed guidance?

Response: We suggest that the Board allow appropriate timing for the effective date and implementation of the proposed standards changes. Initial estimate of required time to implement is at the minimum 2 years after a finalized draft to have all the infrastructures, operational processes, and internal controls for a proper implementation of the proposed guidance. Significant internal control and systems upgrades will be required in order to comply with the breadth and depth of the proposed changes in all of the phases of the Financial Instruments exposures. These costs to the industry can become very extensive when considered in conjunction with the proposed Insurance Contracts standard and related costs to comply with those proposed changes.

As an insurance entity, our concern regarding the lack of comparability among insurers is compounded by the pending Insurance Contracts exposure draft. We suggest that insurance companies have one mandatory effective date with no early adoption for both the final Financial Instruments standard and the final Insurance Contracts standard. The changes in the upcoming Insurance Contracts standard will have significant impact on current accounting practices for insurers and both standards will likely create significant operational burden.

Question 33: Are the transition provisions in this proposed Update operable? If not, why?

Response: At this time, Aflac is unable to determine whether the transition provisions in this proposed Update are operable, due to the significant and extensive internal control, process and system requirements that would need to be considered.

Equity Method Accounting

Question 34 -Question 36

Response: No Comment

Nonfinancial Hybrid Instruments

Question 37: The proposed amendments would eliminate the fair value option for hybrid nonfinancial instruments in current U.S. GAAP and would provide a new fair value option for hybrid nonfinancial liabilities. For a hybrid nonfinancial liability, an entity would apply the bifurcation and separate accounting requirements in Subtopic 815-15 and account for the embedded derivative in accordance with Topic 815. The financial liability host that results from separation of the nonfinancial embedded derivative would be subject to the proposed amendments. However, an entity would be permitted to initially and subsequently measure the entire hybrid nonfinancial liability at fair value (with changes in fair value recognized in net income) if after applying Subtopic 815-15 the entity determines that an embedded derivative that requires bifurcation and separate accounting exists. In contrast, for a hybrid nonfinancial asset the proposed amendments would require the hybrid contract to be measured at fair value (with changes in fair value recognized in net income) if the hybrid nonfinancial asset contains an embedded derivative that would have required bifurcation and separate accounting under Subtopic 815-15. Do you agree with the proposed amendments? If not, why? What would you propose instead?

Response: No Comment

Additional Comments

Aflac supports the classification of certain hybrid securities at amortized cost or fair value through other comprehensive income. Aflac recommends that a provision be provided to allow these securities to be reported and accounted for on an amortized cost basis or fair value through other comprehensive income as are other securities which have basic loan features and are managed on a contractual yield basis. If the Board does not believe this should be permitted on a prospective basis, Aflac would encourage the Board to allow a "grandfathering" of this type of security owned as of July 1, 2009, and require disclosure of this election and the relevant information regarding this election. For Aflac these securities were acquired with a certain expectation as to their performance and financial reporting and accounting. To date the securities owned by Aflac have performed as expected. However, based upon this proposal, there will be a deviation in the expected financial reporting and accounting resulting from a change in the related financial reporting principles which is not in keeping with actual results to date.

We appreciate the Board's efforts thus far in providing clarity and convergence on various standards. In that regard, we strongly recommend that the Board evaluate the impact of the proposed standard changes for all phases of the Financial Instruments Project in conjunction with proposed changes to the Insurance Contracts Standard. Additionally, we suggest the Board consider regulatory changes that are also in varying stages of effectiveness that would impact the Insurance Industry (i.e. Dodd Frank and Solvency II initiatives). Specifically, we recommend that the Board undertake a project to model an insurer's financial statements under the proposed accounting standard changes and in conjunction with the proposed regulatory changes to clearly vet the impact on the industry's liquidity, capital adequacy and financial health prior to requiring any proposal stage literature to become effective. We believe that a thorough modeling project will identify additional considerations and concerns on how the various accounting and regulatory changes interrelate that have yet to be uncovered.

Thank you again for your consideration. If you have any questions or concerns regarding our comments please feel free to contact June Howard, SVP and CAO or Resh J. Reese, 2nd VP of Accounting Policy at (706) 323-3431.

Sincerely,

A handwritten signature in cursive script, appearing to read "June P. Howard".

June P. Howard
Senior Vice President and
Chief Accounting Officer