Robert L. Morris
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Technical Director
Financial Accounting Standards Board
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RE: File Reference No. 2013-290

Dear Director,

We are writing in response to your invitation to comment on the FASB's Proposed Accounting Standards Update entitled *Insurance Contracts (Topic 834)* ("Exposure Draft").

KeyCorp ("Key"), headquartered in Cleveland, Ohio, is a bank-based financial services company that, at June 30, 2013, had assets of approximately $91 billion. Key is not an insurance company, and does not offer insurance products to clients that are underwritten by Key. We appreciate the opportunity to comment on this Exposure Draft.

Key takes pride in providing detailed, timely and comprehensive financial information to the investment community. Key also supports standards and interpretations that clearly result in reliable and relevant information that can improve investor understanding and allow for more informed decisions. Therefore, this proposed guidance is of great interest to Key, especially since the Exposure Draft scopes in transactions within the definition of "insurance contracts" that are currently accounted for and disclosed as guarantees.

Key supports the objective of the Exposure Draft to create a single comprehensive standard on accounting guidance for insurance contracts. However, the Exposure Draft widens the definition of insurance contracts to include transactions that are not typically viewed as insurance products.

Comments

The Exposure Draft defines an insurance contract as "a contract under which one party accepts significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder". On the surface, the definition of an insurance contract does not seem all that different from how insurance contracts are currently defined. However, the definition of insurance risk points to the risk arising from uncertainties about underwriting risk. The Exposure Draft defines underwriting risk as "the risk arising from uncertainties about the amount of net cash flows from premiums, commissions, claims, and claim settlement expenses paid under a contract". Based on the examples provided in 834-10-55-40 of the Exposure Draft, there are many financial products currently recorded as guarantees that will meet the proposed definition of an insurance contract.

Based on the proposed definition of insurance contract, Key would need to consider its standby letters of credit as insurance products. Key issues standby letters of credit to address clients' financial needs. Under these agreements, Key is obligated to pay a specified third party when a client fails to repay an outstanding loan or debt instrument or fails to perform a contractual nonfinancial obligation. When amounts are drawn, the standby letters of credit are treated as loans to the client. From Key's perspective, this transaction is a guarantee of the financial or nonfinancial performance of a client. This type of transaction creates credit risk, which is not typically associated with insurance risk. It is not accurate to refer to this transaction as an insurance product, especially since Key's payment under the obligation results in a loan to the client.

Key also has other forms of financial products that may meet the definition of insurance contracts as set forth in the Exposure Draft, which are currently accounted for and disclosed as guarantees under ASC 460. There have not been any recent SEC Comment Letters related to guarantee accounting or disclosures, and users of Key's financial statements have not historically asked questions regarding guarantees. There does not seem to be any particular controversy or concern related to the accounting for guarantees since the accounting for these obligations is well established and accepted by investors and analysts. This current state supports the fact that the existing accounting and disclosure guidance is working, it is well understood by financial statement users, and there is consistency in practice in applying the guidance. In addition, creating line items in the balance sheet for insurance-related assets and liabilities as well as requiring lengthy insurance-related disclosures will be confusing to investors when seen in a financial institution's financial statements. Banks, including Key, are not in the business of providing insurance products. In addition, initial thoughts within the financial services industry are that many financial products to be scoped in under the Exposure Draft will follow the premium allocation approach. As it is understood, this approach should not produce results that are significantly different from how these transactions are accounted for currently under ASC 460. Implementation of this proposed accounting guidance and accounting and disclosure for these financial products as insurance contracts going forward will be time consuming and potentially expensive to operationalize, and are not commensurate with any improvements in financial reporting.

Conclusion

Key supports the FASB's objective to create a single comprehensive standard on accounting guidance for insurance contracts. However, the focus of the proposed guidance should be on traditional insurance products, and financial products currently accounted for under other guidance, such as ASC 460, should not be scoped in. The current accounting and disclosure guidance for guarantees is not broken. The cost/benefit analysis for including financial products in the scope of this proposed accounting guidance will result in more time and effort to produce results that are anticipated to be similar to the current accounting for guarantees. In addition, the results will be confusing to investors and other financial statement users and are not in line with the traditional banking business.

We appreciate the opportunity to comment on this Exposure Draft and hope that our comments are helpful in developing any final accounting guidance that may result from this proposal.

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We welcome the opportunity to discuss this issue in more detail. Please feel free to contact Chuck Maimbourg, Director of SEC Reporting & Accounting Policy, at 216-689-4082 or me at 216-689-7841.

Sincerely,

Robert L. Morris

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