FIFTH THIRD BANCORP

October 22, 2013

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2013-290, Proposed Accounting Standards Update, "*Insurance Contracts*" (Topic 834)

Dear Ms. Cosper:

Fifth Third Bancorp (Fifth Third) is a diversified financial services company headquartered in Cincinnati, Ohio with assets of approximately $126 billion as of September 30, 2013. We appreciate this opportunity to comment on the FASB's Proposed Accounting Standards Update, "Insurance Contracts" (the Exposure Draft).

Under current U. S. GAAP, only entities meeting the definition of an insurance company are within the scope of insurance accounting guidance. However, the Exposure Draft would apply to all contracts meeting the definition of an insurance contract regardless of whether the issuing entity is an insurance company. The Exposure Draft defines an insurance contract as "a contract in which one party (the issuing entity) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder (or designated beneficiary) if a specified uncertain future event (the insured event) adversely affects the policyholder". The proposed definition of an insurance contract in the Exposure Draft would apply to certain banking products based on the examples provided in 834-10-55-40 of the Exposure Draft. Based on those examples, Fifth Third would need to consider standby letters of credit and certain financial guarantees currently accounted for under ASC Topic 460 – *Guarantees* and Topic 450 – *Contingencies* as insurance contracts. Fifth Third does not believe it is appropriate to treat these contracts as insurance products for the reasons discussed below.

Standby Letters of Credit

Fifth Third issues standby letters of credit as conditional commitments to guarantee the performance of a bank customer to a third party in the event of nonperformance by the bank customer. The third party with the ultimate insurable interest does not pay an insurance premium as in a typical insurance agreement. Rather, it is the bank customer who pays a commitment fee to Fifth Third for this type of arrangement and provides the underlying collateral to secure the standby letter of credit. In contrast to an insurance claim that results in a cash payment that is recorded as a loss, the drawn amounts on the standby letter of credit are recorded as an asset (a loan receivable) by Fifth Third from its customer. The standby letter of credit is a loan commitment between Fifth Third and its customer and therefore represents credit risk rather than insurance risk. Further, in the event of nonperformance by the bank customer, Fifth Third has the rights to the underlying collateral.

Financial Guarantees (Representations and Warranties)

Fifth Third generally sells its conforming residential mortgage loans to unrelated third parties with representation and warranty provisions. A contractual liability arises only in the event of a breach of these representations and warranties and in general, only when a loss results from the breach. The representation and warranty provisions are initially recorded as a reserve at the estimated fair value in conformity with ASC Topic 460 - *Guarantees* and are continually updated during the life of the loan as losses in excess of the reserve become probable and reasonably estimable in accordance with ASC Topic 450 - *Contingences.* Under the Exposure Draft, it appears the representation and warranty reserve may be subject to the "premium allocation approach" whereby the present value of the net cash flows would be maintained as a liability, calculated by a probability-weighted approach with changes to the reserve due to changes in discount rate recorded to Other Comprehensive Income. The current accounting for these obligations is well established and accepted by the financial statement users and consistently applied within the banking industry. The change proposed would not only cause confusion to the financial statement users but also add unnecessary burden to the financial statement preparers to implement and maintain.

Conclusion

While Fifth Third supports the FASB's objective to create a single comprehensive standard on accounting guidance for insurance contracts, we believe that most of the banking products such as the ones discussed above represent credit products rather than insurance products. Inclusion of these products under insurance accounting is unwarranted given the nature of the products; it also reduces comparability to other credit risk products included within Fifth Third's consolidated financial statements. Thus, we strongly recommend that the FASB exclude these contracts from the scope of the Exposure Draft and allow the existing accounting guidance for these products to continue.

We appreciate the opportunity to provide our comments and observations on the Exposure Draft and would be pleased to discuss our views with you at your convenience.

Sincerely,

Mark D. Hazel
Senior Vice President and Controller