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Technical Director, File Reference No. 2016-300
Financial Accounting Standards Board
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We appreciate the opportunity to provide comments to the Financial Accounting Standards Board ("FASB" or "Board") on its Sept 29th Exposure Draft regarding targeted improvements to the accounting for long-duration contracts. Unum Group ("Unum") operates in the United States, the United Kingdom, and, to a limited extent, in certain other countries, and is the largest provider of disability insurance products in the United States and the United Kingdom. Unum also provides a complementary portfolio of other insurance products, including employer- and employee-paid group benefits, life insurance, and other related services.

We appreciate the FASB's intent to improve, simplify and enhance the financial reporting of long-duration contracts. However, there are several areas where we believe the Board should re-consider the proposed guidance.

The areas that we want to specifically bring to the Board's attention relate to the following topics:

- Scope – applicability of the proposed changes to claim reserves
- Cash flow assumption update method
- Discount rate
- Disclosures
- Transition

While Unum has both non-participating and participating contracts, the participating contracts represent a smaller portion of our business. As a result, we have concentrated our review on the non-participating contract changes. Our responses to the questions for all respondents and preparers of financial statements are included as follows.

Thank you for your consideration of our responses.

Sincerely,

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Questions for Respondents

Liability for Future Policy Benefits—Contracts Other than Participating Contracts

Question 1 - Scope: Do you agree with the scope of the proposed amendments on the accounting for the liability for future policy benefits for contracts other than participating contracts? If not, what types of contracts, contract features, or transactions should be included in or excluded from the scope and why?

Unum Response: We agree with the scope of the proposed amendments, but we believe that clarification is needed with certain sections, as commented on below.

- The proposed change in paragraph 944-40-25-9 assumes that a liability for future policy benefit is recognized for all long-duration insurance contracts. Some insurance products, such as group disability insurance contracts, do not have a future policy benefit recorded. Instead, a liability for unpaid claims is recognized when a claim is incurred. If the Board's intent of the proposed change does not apply to contracts for which a liability for future policy benefits is not recognized, then we agree with the proposed change. However, if this is not the Board's intent, we do not agree with the proposed change. The primary reason is that for contracts such as group disability, it is questionable as to what should be considered the policy inception date for determination of the discount rate. For example, assume a three year guaranteed renewable group disability contract entered into on January 1, 201x covers all of the employer's employees during the three year period. Under the contract, all employees receive a certificate of coverage under the group disability contract. Further, assume that a new employee joins the employer in the second year of the contract on August 1, 201y and incurs a claim on October 31, 201z. Under current accounting guidance, the insurer would recognize a liability for unpaid claims on October 31, 201z. Under the proposed guidance, it is unclear to us whether January 1, 201x or August 1, 201y should be considered the policy inception date. We believe that for contracts like group disability (i.e. other group products or workers compensation) or where non-tabular reserve methods are used to develop reserve estimates, it is appropriate to continue the current accounting guidance regarding discounting the liability for unpaid claims using a discount rate as of the date of incurred claim rather than when the policy was initially issued to the employer.

  Additionally, we do not believe that it is appropriate to use interest rates at the date of policy issue to set the valuation discount rates for incurred claims for two primary reasons.
  - First, some insurers do not reclassify the liability for future policy benefits to the liability for unpaid claims for a number of products, such as individual disability or long term care, due to certain contract provisions. Instead they continue to hold the liability for future policy benefits and also recognize a liability for unpaid claims at the time a claim is incurred. Since a new liability is established at time of claim, it would be appropriate to establish the discount rate as of that date.
  - Second, it does not seem appropriate to use interest rates at the time of policy issue to set the valuation discount rates for incurred claims when the claims can be incurred twenty to forty years after the policy inception date, which is well beyond the investment horizon when the policy was issued.

It seems that, in both of these cases, the interest rates at policy issue may have very little connection to the rates at time the claim is incurred resulting in earnings that might be somewhat counter-intuitive and difficult to explain or understand.

- We request that the Board clarify the language in 944-40-30-7A with regard to the following statement, "*In no event shall the liability for future policy benefits balance be less than zero".* Is the floor at a cohort level basis or at a seriatim basis? We agree that at a cohort level the floor should be zero, but we perceive instances where management of the block through diversification of policy risks would result in some individual policies being valued at less than zero offset by other policies which are greater than zero. This is the nature of the net premium model.

Question 2 - Cash flow assumption update method and presentation: Do you agree that the effect of updating cash flow assumptions should be calculated and recognized on a retrospective basis in net income? If not, what other approach or approaches do you recommend and why?

Unum Response: We agree with the Board's conclusion that a retrospective update method better reflects in earnings the prior period effect of assumption updates and appropriately allows future profits to emerge on the basis of new assumptions without being encumbered by prior periods.

However, we believe that the Board should clarify the method in which the retrospective assumption update should be made. We have interpreted the guidance in paragraph 944-40-35-5 and 6A to mean that the insurer is to update the long-term cash flow assumptions if the current experience would change the original long-term assumptions developed at policy inception date. It is not clear whether insurers would update their models with actual cash flow information and specific policy by policy activities during the year on an annual basis, effectively truing up all prior years' results for the difference in actual cash flow experience relative to the long-term assumptions. We believe that using current experience to continue to validate and update the long-term cash flow assumptions is consistent with our current experience analysis that is performed annually, as appropriately considered by the Board in paragraphs BC 9, 10 and 40. We believe the Board should explicitly state that assumptions based on historical experience studies can be used to represent historical periods and to develop future expectations for annual updates to cash flow assumptions.

We would suggest the wording changes in the following paragraphs to reflect the view asserted above:

- 944-40-35-6A – A related charge or credit to current-period benefit expense or other comprehensive income as a result of updating assumptions at the level of aggregation at which reserves are calculated shall be determined as follows:
    a. Cash flow assumptions: Cash flow assumptions used to calculate **net premiums** shall be updated as of the contract issue date (that is, on a retrospective basis) and for future expectations ~~using actual historical experience and updated future cash flow assumptions~~ based on actual historical experience studies with appropriate consideration of elements such as credibility, groupings, etc. Updates for historical periods should be representative of overall experience at the level of aggregation at which the reserves are calculated.

- 944-40-55-13B – On a retrospective basis, an insurance entity should recalculate **net premiums** as of the contract issue date ~~of the contract~~ using updated ~~expected~~ future cash flow~~s~~ assumptions as defined in 944-40-35-6A ~~cash flows~~ and should apply the revised net premiums as of the issue date of the contract.

If the Board opposes the clarifications outlined above, we believe that the proposed measurement approach is unreasonable. Many insurance companies, including Unum, have numerous policies that were originally issued twenty to forty years ago. We do not necessarily maintain detailed records of all actual cash flow information for these older policies, nor is it viable to maintain all actual cash flow data for all future policies at the date of transition. We do not believe the cost and data resources required to retrospectively update using specific policy by policy activities and seriatim cash flows is reasonable, or operationally viable.

If the Board opposes the clarifications outlined above, we believe that one of two approaches should be considered as follows:

1. A prospective approach should be used to recalculate the net premium ratio when future cash flow assumptions are updated, or

2. An alternative in which updating the net premium ratio and the liability for future policy reserves would be based upon use of prospective cash flow assumptions representing updated future expectations only and not historical actual cash flows. The net premium ratio would be redetermined back to contract issue date using the updated future expectations and existing experience assumptions for historical periods. This alternative has the effect of putting a portion of the impact of future assumptions based on the net premium ratio update through the reserves and would provide more stability in net premium levels for the prospective assumptions. In addition, it is a standard net premium reserve calculation.

Question 3 - Cash flow assumption update frequency: Do you agree that cash flow assumptions should be updated on an annual basis, at the same time every year, or more frequently if actual experience or other evidence indicates that earlier assumptions should be revised? If not, what other approach or approaches do you recommend and why?

Unum Response: We agree that cash flow assumptions should be ***reviewed*** and updated, ***if necessary*** on an annual basis, at the same time every year, or more frequently if actual experience or other evidence indicates that earlier assumptions should be updated. We believe it is important to clarify that the assumptions used to develop the reserve estimate are long-term assumptions by nature and may not necessarily require updating every year. Improved controls and processes around experience analysis will be necessary to properly document and control when a change in a long-term assumption is necessitated.

Question 4 - Discount rate assumption: Do you agree that expected future cash flows should be discounted on the basis of a high-quality fixed-income instrument yield that maximizes the use of current market observable inputs? If not, what other approach or approaches do you recommend and why?

Unum Response: We do not agree that the expected future cash flows should be discounted on the basis of a high-quality fixed-income instrument yield. We do not believe that a high-quality fixed-income yield, as currently interpreted for financial statements prepared in accordance with U.S. generally Accepted accounting principles (GAAP), provides an appropriate amount of illiquidity premium for some of our liabilities. We believe that existing GAAP should continue to be used to determine the discount rate. A primary basis for our objection to the Board's proposal is that the application of the proposed approach may result in future earnings and key measurement results that are not meaningful to financial statement users as there will be no relevance to what investment returns may be provided from investing activities that back the liabilities. Please see the attached example (Attachment A) which demonstrates that the proposed change to discount rates would result in future losses over the remaining life of the business on a block. In particular, the example demonstrates the financial impact of discounting the liability for future policy benefits at a discount rate based on a rate locked-in 25 -30 years ago which is not updated to reflect changes in financial markets over that time which impact investment returns. The opposite impact would occur if a low discount rate is locked in at policy inception date. We believe that there are other alternatives that the Board should re-evaluate or consider that would meet the Board's objective to maximize the use of market-observable inputs.

The first alternative we would support is keeping current GAAP and enhancing disclosures around the discount rates. Disaggregated disclosures around the discount rate outlining the different components including expected yield, default expectations, and investment expense would clearly provide the user an understanding of the discount rate and allow for comparability across the industry. Disclosures could include the types of securities supporting liabilities, average credit rating, and cash flow durations in time bands of 1-5 years and then 5 years thereafter. We expect that default rates would align with the new credit impairment standard, ASU 2016-13 - *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. We believe that these types of disclosures would align with the Board's proposed changes in disclosures outlined in paragraph 944-40-50-6(b) (4) and (5).

A second alternative would be to use an indexed yield curve that better represents the liquidity of the liabilities that is adjusted for the insurer's long-term assumptions of how they expect the yields to move. The insurer could disclose any adjustment and the basis for those adjustments that is consistent with disclosures for Level 3 fair value measurement in Topic 820. In addition to instances where market data does not reflect orderly transactions, adjustments may be necessary if certain economic pressures impact rates in a manner that is not expected to persist. As illustrated in our example (Attachment A), using an indexed yield curve without any type of adjustment for expected long-term assumptions results in future earnings and key measurement results that are not meaningful to financial statement users. As an example, using the AA rate in 1980, which was around 11% and comparing it to the AA rate as of today, which is around 2%, the insurer would have likely expected that the rate would have declined over a long duration.

Question 5 - Discount rate assumption update method and presentation: Do you agree that the effect of updating discount rate assumptions should be recognized immediately in other comprehensive income? If not, what other approach or approaches do you recommend and why?

Unum Response: Yes, we believe the effect of updating discounting rate assumptions at each reporting period should be recognized immediately in other comprehensive income for periods when other cash flow assumptions are not reviewed. This aligns with similar guidance in ASC 320-10-S99 and removes

unwarranted quarterly volatility from the income statement that would arise from fluctuations in discount rates. However, because the discount rate is an integral assumption for determining the reserve liability, we believe the discount rate assumption should be treated similarly to the assumptions for mortality, morbidity, terminations, and expenses. We recognize that long-term expectations regarding yields can also change. If the Board decides to use an expected investment yield as proposed in Question 4, the effect of changes in this rate should be recognized in income while changes in the market that do not reflect change in the expected long-term investment yield would be recognized in OCI.

Question 6 - Discount rate assumption update frequency: Do you agree that discount rate assumptions should be updated at each reporting date? If not, what other approach or approaches do you recommend and why?

Unum Response: As noted in our response to Question 5, we believe the proposed method and frequency of updating the discount rate aligns with similar guidance in ASC 320-10-S99. We agree that the discount rate assumptions should be updated at each reporting period provided there is no change in the unit of measurement of a block of insurance contracts as currently defined in 944-20-20. Insurers typically group insurance contracts issued under the same plan in a particular calendar year, and under the proposed ASU insurers would update cash flow assumptions annually, as appropriate, for a calendar year cohort of contracts. If the updating of discount rate assumptions on a quarterly basis implies that insurers should create a new unit of measurement of a block of insurance contracts issued during each reporting period (a quarterly cohort), we disagree with the concept. We believe the cost of tracking and measuring a quarterly cohort of insurance policies, rather than an annual cohort, far outweighs the benefits which might be derived from doing so. As noted above, we also believe that it may be necessary to also update the discount rates as part of the annual assumption updating process, with the resulting change recognized in net income.

Deferred Acquisition Costs

Question 15 - Scope: Should the scope of the proposed amendments be expanded to include investment contract acquisition costs currently amortized using the interest method in Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs?

Unum Response: Not applicable to Unum.

Question 16 - Amortization: Do you agree with the proposed amendments that would simplify the amortization of deferred acquisition costs? If not, what other simplified and reasonably estimable amortization approach or approaches do you recommend and why?

Unum Response: Yes, we agree with the proposed amendments and believe that they do simplify the amortization of deferred acquisition costs (DAC). However, we believe that clarification that similar treatment would be warranted for other assets such as VOBA and how corresponding concepts such as unearned revenue reserves are impacted.

Question 17 - Impairment: Do you agree that deferred acquisition costs should not be subject to impairment testing? If not, what alternative or alternatives do you recommend and why?

Unum Response: We do not agree that DAC should not be subject to impairment testing. If the proposal is adopted as is, then DAC would be one, if not the only, asset without an impairment model. We believe a recoverability test is necessary, especially for those cases where the net premium ratio is near or at 100%. In these circumstances, the gross premiums would likely not cover the reserve cash flows and the related DAC amortization.

Presentation and Disclosure

Question 18 - Proposed requirements: Do you agree that the presentation and disclosure requirements included in the proposed amendments would provide decision-useful information? If not, which presentation and/or disclosure requirement or requirements would you change and why?

Unum Response: We believe that the proposed presentation and disclosure requirements will provide useful information. We do not believe that the proposed disclosures should be required in the interim reporting periods unless the cash flow assumptions are updated during that interim reporting period. Otherwise, annual disclosures align with the annual assumption update.

Question 19 - Additional requirements: Are there any additional presentation or disclosure requirements that would provide decision-useful information? If so, please describe them and explain why.

Unum Response: As discussed in Question 4, we believe that disaggregated disclosures around the discount rate outlining the different components including expected yield, default expectations, and investment expense would clearly provide the user an understanding of the discount rate and allow for comparability across the industry while maintaining current GAAP for disclosure rates.

Effective Date and Transition

Question 20 - Implementation date: The Board is interested in understanding the key drivers affecting the timing of implementation. What are those key drivers, and how do they affect the time it will take to implement the proposed amendments? Should the effective date be the same for both public entities and nonpublic entities?

Unum Response: As discussed in our response to Question 2, if the retrospective update method is based on use of actuarial experience studies rather than actual cash flows to update the net premium ratio, the implementation of the proposed method to recalculate the net premium ratio is simplified. Regardless of whether there is a practical expedient, the incremental cost and effort needed to capture data, calculate reserves, analyze results, and perform both internal and external audits of the balance sheet adjustments at adoption will be significant. We will also need to address:

- System changes to our actuarial reserving models and the time that it takes to run those models to enable timely accounting and reporting close cycles.
- Maintenance of historical data necessary to calculate the retrospective net premium ratio used to annually adjust reserves.
- Determination of the high-quality fixed income instrument yield, with a similar duration to liabilities, to use as the reserve discount rate.
- Timely capture and evaluation of data to comply with the additional annual and quarterly disclosures.

- Establishment, review, and testing of appropriate controls.

We believe that a minimum of three years from the date of issuance of the final standard would be necessary to effectively implement. We believe that the effective date should be the same for both public and nonpublic entities.

Question 21 - Transition methods: Are the proposed transition provisions operable and do they provide decision-useful information? If not, what would you recommend and why?

Unum Response: We believe that the proposed transition provisions are operable provided that actuarial experience studies are used to update the net premium ratio on an annual basis. However, as noted in Question 4, we believe the application of the proposed approach for interest rates may result in future earnings and key measurement results that are not meaningful to financial statement users.

Question 22 - Transition disclosure: Do the proposed transition disclosure requirements provide decision-useful information? If not, what would you recommend and why?

Unum Response: We believe that the proposed transition disclosures provide decision-useful information.

Costs and Complexities

Question 23 - Costs and complexities: Describe the nature of the incremental costs of adopting the proposed amendments, distinguishing between one-time costs and ongoing costs. Explain which aspects of the proposed amendments are driving those costs and include ideas to make the proposals more cost effective.

Unum Response: Incremental costs of adopting the proposed amendments are as follows:

- One-time costs:
  - System changes to our actuarial reserving models
  - Determination of the high-quality fixed income instrument yield, with a similar duration to liabilities, to use as the reserve discount rate
  - Evaluation of data to comply with the additional annual and quarterly disclosures
  - Understanding and developing updated operating results information
  - Establishment, review, and testing of appropriate controls
  - Educating financial statement users
- Ongoing costs:
  - Maintenance of historical data necessary to calculate the retrospective net premium ratio used to annually adjust reserves
  - Timely capture and evaluation of data to comply with the additional annual and quarterly disclosures
  - Review, and testing of appropriate controls

As previously noted, we believe the use of actuarial experience studies to update the net premium ratio as opposed to using actual cash flow experience significantly reduces the costs and complexities of adopting the proposed amendments. Use of experience studies will require fewer modifications to current reserve valuation systems. Additionally, the volume of data storage needed is significantly

lowered, reducing ongoing costs. Continued use of current GAAP for development of the discount rate will reduce the complexity of adopting the proposed standard in that it will not require development of historical yield curves based on a “high-quality” portfolio.

Attachment A

Example of the proposed discount rate changes on a block of business which results in future losses:

Note the following important points illustrated in this example:

1) Assume a long duration product line that has been historically operating under existing GAAP "loss recognition" results (i.e., is "breakeven" from an earnings perspective).
2) Assume further that this product line has a perfectly matched asset portfolio with a yield of 6.5% that exactly equals the required interest rate on our reserves. (zero interest spread margin illustration).
3) This perfectly matched block has an interest adjusted loss ratio of 82% and expense ratio of 18% which produces a level 0% before tax earnings margin to premium income (excludes the investment income on assets supporting the equity allocated to the block). This again, reflects a "loss recognition" result of "breakeven" earnings.
4) Assuming the block has a starting reserve of $9.7 billion and equity of $2.0 billion, this produces an ROE over the projection period of 5% on average. This is approximately equivalent to the after-tax yield on the assets supporting equity.
5) Now in contrast, apply the new accounting requirement to discount the reserves at discount rates in effect when the policies were issued, assuming a 10.5% discount rate (applied to policies which were issued some 25-30 years ago). This lowers the reserve at transition to $8.0 billion and increases equity to $3.7 billion).
6) The proposed accounting basis illustration now has a negative interest spread margin of 4% as a result and ROE drops to -10% for a change of 15%.
7) The before tax earnings impact of this illustration is adverse, reducing 10 year projected before tax earnings from $850 million to a loss of $850 million, equal to the $1.7 billion change in the opening reserve balance).The application of the discount rate change in determining earnings of this block results in future losses over the remaining life of the business on a block that in the current accounting model is operating at "breakeven" under loss recognition principles.

Illustrative Analysis of Proposed Discount Rate Accounting Change	Beginning Balance	Prospective Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Years 1-10
Current Accounting Basis												
Balance Sheet (Amortized Cost Basis)												
Invested Assets Supporting Reserves	9,697	9,339	8,866	8,271	7,547	6,685	5,678	4,516	3,189	1,687	(0)	
Invested Assets Supporting Equity	2,000	1,926	1,829	1,706	1,556	1,379	1,171	931	658	348	(0)	
Total Assets	11,697	11,265	10,694	9,977	9,103	8,064	6,849	5,447	3,847	2,035	(0)	
Reserves (Assumed GAAP=STAT=TAX)	9,697	9,339	8,866	8,271	7,547	6,685	5,678	4,516	3,189	1,687	(0)	
Deferred Income Taxes (Asset) Liab	-	-	-	-	-	-	-	-	-	-	-	
Beginning Equity	2,000	2,000	1,926	1,829	1,706	1,556	1,379	1,171	931	658	348	
ATOE		85	81	77	72	66	58	49	39	28	15	571
Dividends		(158)	(179)	(200)	(221)	(243)	(266)	(289)	(313)	(338)	(363)	(2,571)
Ending Equity		1,926	1,829	1,706	1,556	1,379	1,171	931	658	348	(0)	
Total Liabilities & Equity	11,697	11,265	10,694	9,977	9,103	8,064	6,849	5,447	3,847	2,035	(0)	
Income Statement												
NII on Reserve Portfolio @ 6.50%		630	607	576	538	491	435	369	294	207	110	4,256
Premium		1,000	900	800	700	600	500	400	300	200	100	5,500
Total Revenues		1,630	1,507	1,376	1,238	1,091	935	769	594	407	210	
Benefits Paid		1,809	1,818	1,827	1,836	1,844	1,852	1,859	1,866	1,873	1,879	18,463
Change in Reserves												
Interest Required @ 6.50%		630	607	576	538	491	435	369	294	207	110	4,256
Other Change in Reseves		(989)	(1,080)	(1,171)	(1,262)	(1,352)	(1,442)	(1,531)	(1,620)	(1,709)	(1,797)	(13,953)
Expenses		180	162	144	126	108	90	72	54	36	18	990
Total Benefits & Expenses		1,630	1,507	1,376	1,238	1,091	935	769	594	407	210	
BTOE Before Earnings on Equity		-	-	-	-	-	-	-	-	-	-	-
NII on Equity Portfolio @ 6.50%		130	125	119	111	101	90	76	61	43	23	878
BTOE Including Earnings on Equity		130	125	119	111	101	90	76	61	43	23	878
Income Taxes		46	44	42	39	35	31	27	21	15	8	307
ATOE		85	81	77	72	66	58	49	39	28	15	571
Interest Spread Margin % of Reserves		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
IALR		82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	
Expense Ratio		18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	
BTOE Margin (Before Earnings on Equity)		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
ROE		4.3%	4.3%	4.4%	4.4%	4.5%	4.6%	4.7%	5.0%	5.5%	8.5%	5.0%
												Avg

Illustrative Analysis of Proposed Discount Rate Accounting Change	Beginning Balance	Prospective Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Years 1-10
Proposed Accounting Basis												
Balance Sheet (Amortized Cost Basis)												
Invested Assets Supporting Reserves	7,955	7,801	7,540	7,161	6,651	5,997	5,185	4,198	3,019	1,627	0	
Invested Assets Supporting Equity	3,743	3,464	3,154	2,816	2,452	2,067	1,664	1,249	828	408	(1)	
Total Assets	11,697	11,265	10,694	9,977	9,103	8,064	6,849	5,447	3,847	2,035	(0)	
		-	-	-	-	-	-	-	-	-	-	
Reserves	7,955	7,801	7,540	7,161	6,651	5,997	5,185	4,198	3,019	1,627	0	
Deferred Income Taxes (Asset) Liab	610	538	464	389	314	241	172	111	60	21	(0)	
Beginning Equity	3,133	3,133	2,926	2,690	2,427	2,139	1,826	1,491	1,138	768	387	
ATOE		(49)	(56)	(63)	(67)	(69)	(69)	(65)	(56)	(44)	(25)	(563)
Dividends		(158)	(179)	(200)	(221)	(243)	(266)	(289)	(313)	(338)	(363)	(2,571)
Ending Equity		2,926	2,690	2,427	2,139	1,826	1,491	1,138	768	387	(1)	
Total Liabilities & Equity	11,697	11,265	10,694	9,977	9,103	8,064	6,849	5,447	3,847	2,035	(0)	
Income Statement												
NII on Reserve Portfolio @ 6.50%		517	507	490	465	432	390	337	273	196	106	3,714
Premium		1,000	900	800	700	600	500	400	300	200	100	5,500
Total Revenues		1,517	1,407	1,290	1,165	1,032	890	737	573	396	206	
Benefits Paid		1,809	1,818	1,827	1,836	1,844	1,852	1,859	1,866	1,873	1,879	18,463
Change in Reserves												
Interest Required @ 10.50%		835	819	792	752	698	630	544	441	317	171	5,999
Other Change in Reseves		(989)	(1,080)	(1,171)	(1,262)	(1,352)	(1,442)	(1,531)	(1,620)	(1,709)	(1,797)	(13,953)
Expenses		180	162	144	126	108	90	72	54	36	18	990
Total Benefits & Expenses		1,835	1,719	1,592	1,452	1,298	1,130	944	741	517	271	
BTOE Before Earnings on Equity		(318)	(312)	(302)	(286)	(266)	(240)	(207)	(168)	(121)	(65)	(2,285)
NII on Equity Portfolio @ 6.50%		243	225	205	183	159	134	108	81	54	27	1,420
BTOE Including Earnings on Equity		(75)	(87)	(97)	(103)	(107)	(106)	(99)	(87)	(67)	(39)	(866)
Income Taxes		(26)	(30)	(34)	(36)	(37)	(37)	(35)	(30)	(23)	(13)	(303)
ATOE		(49)	(56)	(63)	(67)	(69)	(69)	(65)	(56)	(44)	(25)	(563)
Interest Spread Margin % of Reserves		-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	
IALR		82%	82%	82%	82%	82%	82%	82%	82%	82%	82%	
Expense Ratio		18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	
BTOE Margin (Before Earnings on Equity)		-32%	-35%	-38%	-41%	-44%	-48%	-52%	-56%	-60%	-65%	
ROE		-1.6%	-2.0%	-2.5%	-2.9%	-3.5%	-4.1%	-4.9%	-5.9%	-7.5%	-13.0%	-4.8%
												Avg

Illustrative Analysis of Proposed Discount Rate Accounting Change	Beginning Balance	Prospective Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Years 1-10
Impact of Accounting Basis Change												
Balance Sheet (Amortized Cost Basis)												
Invested Assets Supporting Reserves	1,743	1,538	1,325	1,110	896	688	493	317	170	60	(1)	-
Invested Assets Supporting Equity	(1,743)	(1,538)	(1,325)	(1,110)	(896)	(688)	(493)	(317)	(170)	(60)	1	-
Total Assets	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	1,743	1,538	1,325	1,110	896	688	493	317	170	60	(1)	-
Deferred Income Taxes	(610)	(538)	(464)	(389)	(314)	(241)	(172)	(111)	(60)	(21)	0	-
Beginning Equity	(1,133)	(1,133)	(999)	(862)	(722)	(582)	(447)	(320)	(206)	(111)	(39)	-
ATOE	-	133	138	140	139	135	127	114	96	71	40	1,133
Dividends	-	(0)	0	0	-	(0)	0	-	-	-	-	-
Ending Equity	-	(999)	(862)	(722)	(582)	(447)	(320)	(206)	(111)	(39)	1	-
Total Liabilities & Equity	-	-	-	-	-	-	-	-	-	-	-	-
Income Statement												
NII on Reserve Portfolio @ 6.50%		(113)	(100)	(86)	(72)	(58)	(45)	(32)	(21)	(11)	(4)	(542)
Premium		-	-	-	-	-	-	-	-	-	-	-
Total Revenues		(113)	(100)	(86)	(72)	(58)	(45)	(32)	(21)	(11)	(4)	-
Benefits Paid		-	-	-	-	-	-	-	-	-	-	-
Change in Reserves		-	-	-	-	-	-	-	-	-	-	-
Interest Required @ 10.50%		205	212	215	214	208	195	175	147	110	61	1,743
Other Change in Reseves		-	-	-	-	-	-	-	-	-	-	-
Expenses		-	-	-	-	-	-	-	-	-	-	-
Total Benefits & Expenses		205	212	215	214	208	195	175	147	110	61	-
BTOE Before Earnings on Equity		(318)	(312)	(302)	(286)	(266)	(240)	(207)	(168)	(121)	(65)	(2,285)
NII on Equity Portfolio @ 6.50%		113	100	86	72	58	45	32	21	11	4	542
BTOE Including Earnings on Equity		(205)	(212)	(215)	(214)	(208)	(195)	(175)	(147)	(110)	(61)	(1,743)
Income Taxes		(72)	(74)	(75)	(75)	(73)	(68)	(61)	(52)	(38)	(21)	(610)
ATOE		(133)	(138)	(140)	(139)	(135)	(127)	(114)	(96)	(71)	(40)	(1,133)
Interest Spread Margin % of Reserves		-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	0%
IALR		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Expense Ratio		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
BTOE Margin (Before Earnings on Equity)		-32%	-35%	-38%	-41%	-44%	-48%	-52%	-56%	-60%	-65%	0%
ROE		-6%	-6%	-7%	-7%	-8%	-9%	-10%	-11%	-13%	-21%	-10%
												Avg