

July 28, 2006

VIA EMAIL ([director@fasb.org](mailto:director@fasb.org))



LETTER OF COMMENT NO. 36

Director  
Financial Accounting Standards Board  
Emerging Issues Task Force

RE: EITF0604 – Comment Regarding Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements

To Whom It May Concern:

We have been informed that the EITF is proposing a dramatic change to accounting for split-dollar life insurance benefits under endorsement-style arrangements. As a bank with Bank-Owned Life Insurance (BOLI) and endorsement split-dollar arrangements, we are concerned about the impact this will have on our bank and its benefit plans, not to mention the reduction in retained earnings if we choose to retain these plans. Accordingly, we submit the following comment for your consideration.

Comment

The relevant portion of the EITF's conclusion is stated as follows:

“The Task Force believed that the purchase of an endorsement type policy (sic) does not constitute a settlement since the policy does not qualify as non-participating because the policyholders are subject to the favorable and unfavorable experience of the insurance company.”

Our own reading of FAS 106 does not support this conclusion. In fact, FAS 106 clearly states that a participating insurance policy may also effectively settle a post-retirement benefit obligation, provided certain requirements are met. Our BOLI vendor informs us that our policies are participating, but that the death benefits are guaranteed even beyond the mortality age of our participants. So, even if the carrier had “unfavorable experience,” the policy guarantees still support the death benefits. This would appear to me to qualify as the settlement of the obligation.

Also, our plan documents reflect that our employees' beneficiaries would only receive a death benefit if there was an insurance policy in place at the time of death. If there is no policy, there is no death benefit. If there is a policy, there is a death benefit. It does not

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appear appropriate to me for our company to be required to accrue for a benefit that it would never, under any circumstances, be required to pay.

Accordingly, Peoples Bank respectfully requests the FASB not adopt this proposed change in accounting treatment of post-retirement split-dollar, and instead adopt the treatment espoused by the proponents of View B, for the reasons stated in View B, which is the current practice.

Sincerely,

A handwritten signature in cursive script that reads "A. Joseph Lampron".

A. Joseph Lampron  
CFO/EVP