

CBIZ/BENMARK, INC.

August 2, 2006



LETTER OF COMMENT NO.

9D

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 are informed that the EITF is proposing a radical change to accounting for split-dollar life insurance benefits under endorsement-style arrangements. As an employee of a company that sells Bank-Owned Life Insurance (BOLI) and endorsement split-dollar arrangements, I am concerned about the impact this will have on our business and the industry as a whole. Accordingly, I want to 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. We have informed our clients that their policies are participating, but that the death benefits are guaranteed even beyond the mortality age of the participants. So, even if the carrier had “unfavorable experience,” the policy guarantees still support the death benefits. How does this not settle the obligation?

Moreover, each month we supply our clients with asset accounting information that shows the interest credited, as well as the costs of insurance – which is an expense recognized by the bank – relative to their BOLI assets. As we understand it, the interest and expense portions of these reports reflect the insurance carrier's costs to provide the promised death benefit to the insured's expected mortality age. Because they are

recognizing the income and expense on these assets currently, must they also recognize these expenses a second time to accommodate this new accounting change?

Finally, when each client first put this plan in place, it was their understanding, and their documents reflect this understanding, that their 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. Seems simple enough. Why would the bank, under these proposed accounting changes, essentially be required to accrue for a benefit that it never, under any circumstances, would be required to pay?

Accordingly, we recommend that 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,

Paul R. Thornton
CBIZ/Benchmark, Inc.
Vice President, Sales Support