3120 Breckinridge Blvd.
Duluth, GA 30099

February 12, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update to Topic 944, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, a *consensus of the FASB Emerging Issues Task Force* (File Reference No. EITF090G)

Dear Mr. Golden:

Primerica, Inc. appreciates the opportunity to comment on the Proposed Accounting Standards Update to Topic 944, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts, a consensus of the FASB Emerging Issues Task Force*. As stated in the proposed update, its objective is to address diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify as deferred acquisition costs. We believe that diversity in practice relates to a number of factors including interpretations and management judgment that naturally occur in complex and diverse business models throughout the insurance industry. These observations are not indicative of flaws in the accounting model. In fact, the accounting definition of capitalizable costs associated with acquiring insurance contracts has operated effectively for a number of years with a relatively enduring, albeit complex, range of business models throughout the industry.

We also believe that the incremental cost associated with implementing this proposed update outweighs any potential benefit, particularly when considering the likelihood that the forthcoming FASB insurance contracts project will subsequently supersede this proposed update.

We concur with the responses provided by the American Council of Life Insurers (ACLI) and wish to provide additional perspective specifically relevant to questions 2, 4, and 5 as requested in the proposed update.

Question 2: *Do you agree that for a cost to meet the definition of a deferred acquisition cost, it must relate to successful efforts (that is, a new or renewal contract)? Please provide the reasons for your view.*

We believe costs that vary with and primarily relate to the policy acquisition process should continue to meet the definition of deferred acquisition costs, regardless of whether the costs translate to successful or unsuccessful efforts to acquire a specific policy. An insurance

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company's core objective is not to acquire individual policies, but to acquire a profitable portfolio that successfully pools risk and return. In building such a portfolio, an insurance company typically incurs a wide range of acquisition costs, including assessing risks associated with policies, determining appropriate pricing for policies, and concluding whether or not to issue the policy. Unsuccessful efforts to acquire a specific policy generally relate either to the policy being priced higher than the applicant had expected or to the company determining that the risk exceeds targeted thresholds for the company's pooled risk profile. The decisions that sometimes lead to an unsuccessful effort, and the costs of making those decisions, are an essential part of building a profitable portfolio of insurance policies that is capable of absorbing the losses associated with claims occurring more than anticipated.

Given the uniquely substantial reliance on effective pooling of risk and return throughout the insurance industry, and the related significance of effective pricing and on the ability to decline policies outside of targeted risk tolerances, we believe it is appropriate to defer acquisition costs incurred throughout the policy acquisition process, regardless of whether a specific application translates into an issued policy.

Question 4: *Do you expect to incur significant costs as a result of the amendments in this proposed update? If so, please be specific about the nature of the costs you expect to incur.*

Based on preliminary estimates, we expect to incur significant incremental programming hours updating our information technology architecture, to analyze data and develop assumptions and estimations, to build internal controls over new processes and procedures, to establish incremental ongoing monitoring efforts and to ensure that the modifications are all functioning properly to comply with the proposed update. Without these modifications, we would not be able to reasonably isolate and estimate acquisition costs, including significant underwriting costs, associated with successful contract acquisitions. Estimation challenges originate both from the diverse range of acquisition costs incurred across different applications and from the disparity in how long it takes to either issue a policy or conclude that no policy will be issued. Our concern on this matter is particularly heightened by the fact that the FASB's ongoing insurance contracts project appears likely to present a materially different requirement shortly after possibly issuing this update. Any incremental spending required to comply with this update may result in a write-off of the technology when the FASB subsequently amends the guidance on acquisition costs shortly after potentially issuing this update.

An example of a system limitation that would prevent us from complying with the proposed update without incurring significant incremental costs involves current policyholders who apply for incremental face value or term extensions which if granted, would increase the premium on the underlying policies. Our systems do not track which applications for existing policyholders translate into policy changes. Our systems also do not track underwriting costs per application for existing policyholders. Given these limitations, we currently are unable to determine how much of these underwriting costs translate into acquired policy changes.

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Question 5: *Do you believe that the proposed effective date is operational? Please provide the reasons for your review.*

The proposed effective date would not allow sufficient time to complete all of the modifications described in our response to question 4 above and to ensure that the changes are functioning properly and generating appropriate results.

We thank the Board for its consideration and would welcome the opportunity to further discuss our comments with Board members and their staff. Please do not hesitate to contact me at (770) 564-6639.

Very truly yours,

Michael Nussbaum
Vice President of Accounting Policy
Primerica, Inc