



January 22, 2007

Mr. Robert Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116
UNITED STATES

Re: Implementation and Interpretative Issues of SOP 05-1: Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection With Modifications or Exchanges of Insurance Contracts (SOP 05-1 or the SOP)

Dear Chairman Herz:

We were pleased that some of our member companies were able to participate in the roundtable meeting on SOP 05-1 and very encouraged by the FASB's willingness to listen to the industry's concerns, including the process and timing of draft Technical Practice Aids (draft TPAs). The purpose of this letter is to summarize key points and issues raised at the roundtable and to renew our request that the FASB expose the draft TPAs and defer the effective date of SOP 05-1.

Implementation Process

The SOP introduced a new level of complexity to an existing accounting concept "internal replacements" by broadening the definition to include not only contract exchanges, but also amendments and exercises of features within inforce contracts, and by imposing a series of new criteria to serve as "triggers" for implementing the guidance. Our existing administration and valuation systems were not designed to handle these new definitions, which require the application of multiple decision trees to an array of highly complex products across multiple systems.

The implementation process has included significant cross-functional resources including accountants, actuaries, product specialists and both internal IT personnel and external IT vendors all dedicated to identifying and resolving both interpretation and execution issues over the past twelve to fifteen months.

Draft TPAs

We have significant concerns related to the timing, process and, in some cases, the technical conclusions of the draft TPAs that provide guidance on the adoption and implementation of SOP 05-1.

The draft TPAs are still not publicly available. Accordingly, companies required to adopt SOP 05-1 as of January 1, 2007 may not even be aware of the existence of the draft TPAs. Moreover, the draft TPAs, which were distributed informally to some trade associations in October of 2006, include interpretations of several aspects of the SOP which were different than some industry interpretations, creating a need to possibly implement unanticipated interpretations. For many companies subject to the guidance, this has created significant financial statement exposure and has impacted 2006 SAB 74 disclosures.

We believe SOP 05-1 was intended to be a principles based standard. As is common with principles based standards, parties can come to different conclusions on similar issues. However, the draft TPAs in some cases do not just clarify the guidance, they expand or change the original SOP. Several of the draft TPAs are also rules based and, again, include positions contrary to some widely held industry and company interpretations. Moreover, contrary to some of the roundtable comments, at no time has there been 100% “insurance industry support” for the draft TPAs. Some of the industry’s more technical concerns with the draft TPAs are as follows:

- The draft TPA regarding the extinguishment of off market guarantees could potentially require fair valuation of such guarantees within inforce insurance contracts, which is currently not required under US GAAP. If the TPA were ultimately approved, implementation would require the design and development of appropriate models for the determination of fair values, as well as related modifications to accounting systems to appropriately capture and report such information. Therefore, companies do not have adequate time to develop such models.
- SOP 03-1 liabilities are on a cohort basis and not a contract basis, which creates significant theoretical and implementation issues for companies needing to allocate cohort experience to the contract level.
- The technical merits of the group TPA, as discussed at the roundtable, remain a concern to the industry.

In addition to the 12 draft TPAs mentioned at the roundtable, others remain in deliberation and have not been subject to formal widespread evaluation and as such we have no knowledge of their subject matter or tentative conclusions.

Public exposure and due process would allow for these technical matters and others to be fully discussed and addressed in the final guidance. Because there has been no formal exposure or comment period for the draft TPAs, most companies have not had the opportunity to evaluate the new guidance. Comments made during the roundtable with respect to the Group contract and fair value issues illustrated the industry views that differ with at least some of the conclusions reached in the draft TPAs—views we believe warrant careful consideration by the AICPA and FASB. A process that solicits input from preparers, users and others prior to finalization of the draft TPAs is prudent and consistent with FASB due process procedures.

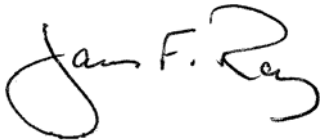
The draft TPAs are needed to adopt and implement the SOP. Thus, more time is required to implement the guidance due to the draft TPAs not being issued yet, particularly given the complex nature of some of the TPAs and their limited distribution.

Summary and Request for Exposure of Draft TPAs & Deferral of SOP 05-1 Effective Date

The draft TPAs are critical to the adoption and implementation of SOP 05-1. As a result, we request the FASB require that SOP 05-1, the TPAs and any new guidance be deferred given the reasons noted at the roundtable and further summarized in this letter. Ideally, the TPAs should have been exposed earlier in the process for public comment. There is a lack of consensus regarding some of the significant conclusions in the draft TPAs. We therefore request that they be exposed for public comment during the deferral period. While timing of the deferment was not discussed at the roundtable, the adequate time to allow for evaluation and implementation of such issues is one year, provided the TPAs, are exposed during the first quarter of 2007 and issued during the second quarter of 2007.

Thank you for your consideration of this matter.

Sincerely,



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cc: G. Michael Crooch, FASB