



November 30, 2010

Technical Director
File Reference No. 1870-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: *Preliminary Views on Insurance Contracts*

Dear Technical Director:

The Hartford Financial Services Group, Inc. (“The Hartford” or “We”) appreciates the opportunity to comment on the Financial Accounting Standards Board (“FASB”) Discussion Paper (“DP”) *Preliminary Views on Insurance Contracts*. The Hartford is an insurance and financial services company that provides investment products and life and property and casualty insurance to both individual and business customers in the United States (“U.S.”) and will be impacted by the final guidance resulting from this DP.

We believe the differences between the IASB’s and the FASB’s conclusions regarding Insurance Contracts will preclude the Boards from reaching their ultimate goal of providing comparability across entities, jurisdictions and capital markets. We urge the Boards to continue to work together on the same timeframe to converge the Insurance Contract standard.

We do not believe that current fulfillment value, as proposed, would be an improvement over current U.S. GAAP or that it would yield financial statements that are more reliable or more relevant. The proposal represents a comprehensive change in measuring and reporting insurance contracts to investors that will result in significant income statement volatility not representative of the characteristics of the insurance liability. For certain long duration contracts, the proposal would result in losses in early years, from using risk free discount rates, followed by gains in later years. This pattern of profit emergence will be contrary to the business model of the insurer, confusing to investors and will require significant education of investors.

We provide a summary of our observations below:

- *Business Model* - The accounting for insurance contracts should be reflective of the insurer’s business model which is defined by how the insurer prices, manages and fulfills insurance contracts. We believe that current U.S. GAAP, which applies different

accounting standards for various contract types, is generally reflective of the insurer's business model.

- *Current Fulfillment Value* - We believe that a fulfillment value approach that includes expected cash inflows and outflows over time is an appropriate measurement principle for certain insurance contracts. However, we believe certain traditional long duration insurance products including term life insurance will be better represented by a cost approach, such as the current U.S. GAAP approach for traditional long duration insurance contracts, combined with disclosure of fair value.
- *Probability Weighted Expected Cash Flows* - We believe it is difficult to determine from the proposed guidance when, or if, stochastic scenarios for expected cash flows are required for various products.
- *Discount Rate* - We believe a risk free discount rate would be appropriate, if material, for short duration coverage for which underwriting results are a more significant driver of a product's economics than investment earnings. However, we believe a risk free rate is not appropriate for long duration coverage for which investment earnings are a key driver of a product's economics. Certain of these long duration contracts provide a crediting rate to the policyholder that is implicitly based on the earned rate of the related portfolio of assets. This crediting rate is a characteristic of the liability to be considered in the determination of the discount rate.
- *Composite Margins* - We do not support the IASB's proposal for an explicit risk adjustment margin due to its lack of comparability across entities. Therefore, we believe the FASB's composite margin is preferable in order to avoid the recognition of a day one gain and to account for an implicit risk margin over the coverage and claim paying period.
- *Modified Approach* - We agree that separate measurement models are required to address the distinct characteristics of insurance liabilities that are more dependent upon investment returns from those that are more dependent upon underwriting results. We believe the arbitrary bright line time period of one year or less should be revised to the principles-based approach followed under current U.S. GAAP.
- *Presentation* - We believe the summarized margin presentation will be confusing to investors and will lead to additional non-GAAP disclosures to provide relevant economic information. We recommend that all income and expense components of all insurance contracts be presented separately in the income statement including premiums, fee income, benefits, claims, investment income and expenses.

We recommend that the FASB retain current U.S. GAAP with certain targeted improvements that we describe in our response to question 32(e) in the attached appendix. However, should the FASB decide to pursue the approach as proposed in the DP, we describe our recommended changes in question 20 in the attached appendix.

We provide specific responses to the questions outlined in the FASB DP in the attached Appendix. In addition, we have attached our comment letter to the IASB. We appreciate the Board's attention to these comments and hope that they are helpful in illustrating the

concerns we have about the proposed accounting for Insurance Contracts. We would be happy to discuss our comments in more detail with the Board or staff. Please feel free to call me at (860) 547-4135 if you have any questions regarding this comment letter.

Very truly yours,

A handwritten signature in cursive script that reads "Beth A Bombara".

Beth A. Bombara
Senior Vice President and Controller
The Hartford Financial Services Group, Inc.

Appendix **Responses to the FASB DP**

Definition and Scope

1. Are the proposed definitions of insurance contract and insurance risk (including the related guidance) understandable and operational?

Yes. The proposed definitions of insurance contract and insurance risk are understandable and operational. We agree that timing risk should not be a consideration given that expected cash flows are on a discounted basis. We also agree that an insurance contract should include the possibility of a significant loss not just significant variability in expected cash flows among scenarios. We note that the definition will scope in more contracts to the insurance contract standard than are currently scoped in under current U.S. GAAP including reinsurance contracts that transfer only a slight chance of occurrence of significant insurance loss.

2. If the scope of the proposed guidance on insurance contracts is based on the definition of an insurance contract rather than on the type of entity issuing the contract, would financial reporting be improved?

Yes. We believe financial reporting would be improved by basing the definition on insurance contracts rather than on the type of entity issuing the contract thus ensuring that contracts that are economically and functionally equivalent apply the same accounting guidance regardless of industry.

3. Do you agree with the proposed scope exclusions? Why or why not?

We would appreciate clarity on the scope exclusion in FASB DP paragraph 28(e) related to fixed-fee service contracts that have the provision of service as their primary purpose but that expose the service provider to risk because the level of service depends on an uncertain event. IASB ED paragraph BC208 clarifies that roadside assistance and maintenance contracts would be accounted for as an insurance contract. However, paragraph BC209 does not include any examples of contracts that would not be accounted for as an insurance contract; we would appreciate examples of such contracts.

We agree with the scope exclusion in FASB DP paragraph 29 related to financial instruments that contain discretionary participation features. We agree that contracts should not be included in the standard if they do not meet the definition of an insurance contract.

4. Should benefits that an employer provides to its employees that otherwise meet the definition of an insurance contract be within the scope of the proposed guidance? Why or why not?

We believe that benefits that an employer provides to its employees would not meet the definition of an insurance contract as these benefits represent self-insurance. We recommend that the Board include these benefits in the scope exclusions in paragraph 28.

5. The Board's preliminary view is that participating investment contracts should not be accounted for within the proposed model for insurance contracts but, rather, should be included in the scope of the proposed model for accounting for financial instruments. Do you agree? Why or why not?

Please refer to our response to question 3 above.

6. Do you support the approach for determining when noninsurance components of contracts should be unbundled? Why or why not?

We do not agree with the Boards' proposal on unbundling deposit components of insurance contracts. We believe that unbundling is appropriate only when the components can be separated and measured on a basis that is not arbitrary. We believe that the account balance is integral to the measurement of most insurance contracts and any proposals to unbundle account balances from the insurance contract would unnecessarily complicate the measurement of each component without any apparent benefit. We recommend that the Board revise this proposed requirement. However, should the Boards' continue to propose unbundling of account balances after redeliberations, we request additional guidance and examples.

We would agree with the Boards' proposal to unbundle embedded derivatives, which we refer to as bifurcation, if the host contract is not already carried at fair value. We note the prevailing reason to bifurcate, in the U.S., is to measure the embedded derivative guarantee at fair value. Yet, we believe this reason is mitigated by the measurement standard of the ED as there appears to be no significant differences between FASB fair value and the IASB current fulfillment value other than non performance risk. As such, for insurance contracts measured under the current fulfillment value approach, financial embedded derivatives would not need to be unbundled from the insurance component. We believe companies may wish to hedge portions of the risk included within this current fulfillment value approach and request the Board consider this in deliberations on hedge accounting. Unbundling of embedded derivatives, if any, would still be required for traditional insurance contracts measured under our recommended retention of current U.S. GAAP for traditional long duration contracts.

We believe the Boards should clarify the accounting for multiple embedded derivatives in an insurance contract when one derivative is an insurance contract and the other derivative is not an insurance contract. We are concerned that inconsistencies in unbundling living and death benefits could remain in the global marketplace even after the new standard is issued. In

the U.S., insurance contracts such as variable annuities offering living benefits and those offering living benefits and death benefits must be bifurcated with the living benefits measured at fair value. We understand that this may be an area of inconsistency between U.S. and global insurers that the Boards should consider when redeliberating the standard.

The proposed unbundling criteria in the IASB ED and the FASB DP “*not closely related to the insurance coverage*” is subject to varying interpretations. We are unclear how this language may compare to guidance in FASB ASC 815-15-25-1a related to embedded derivatives which states “*not clearly and closely related to the economic characteristics and risks of the host contract*”. We request further clarity regarding the “*cross subsidy effects*” noted in the IASB ED paragraph 9 which we also believe is subject to varying interpretations. We request further guidance and examples regarding fixed-fee service components.

Recognition and Measurement

7. Do you agree with the use of the probability-weighted estimate of net cash flows to measure insurance contracts? Does that approach faithfully represent the economics of insurance contracts? Is it an improvement over existing U.S. GAAP?

We believe that a fulfillment value approach that includes the use of probability-weighted estimates of net cash flows is an appropriate measurement principle for certain insurance contracts. However, we believe the economics of certain traditional long duration insurance products, such as term life insurance, will be better represented by the current U.S. GAAP approach for traditional long duration insurance contracts combined with disclosure of fair value. The undertaking of a single accounting model to measure all insurance contracts is promising but it does not contemplate the diversity in insurance products for wealth management and personal and property protection. If insurers do not price, manage and fulfill various insurance products in the same manner, it is conceptually difficult to consider an accounting model that would report those economics in a similar manner.

8. Do you think that an entity’s estimate of the net cash flows should include a risk adjustment margin?

No. We do not believe an entity’s estimate of the net cash flows should include a risk adjustment margin in the measurement of insurance liabilities. Currently, updated risk adjustment margins are generally included in a fair value measurement methodology and we do not believe that insurance contracts should be measured at fair value. We note, from practical experience with risk margins on fair value measurements under FASB ASC 815 that investors do not understand the use of risk margins in the valuation of liabilities and or the current updates of assumptions related to risk margins. We note that the ongoing remeasurement of risk margins would be skewed by a company’s current appetite

for enterprise risk management that is not directly related to the policyholder cash flows at the portfolio level.

9. Is the objective of the risk adjustment margin understandable? If so, do you think that the techniques for estimating the risk adjustment margin (see paragraph 52(b)), faithfully represent the maximum amount that the insurer would rationally pay to be relieved of the risk that the ultimate fulfillment cash flows exceed those expected?

We do not believe the objective of the risk adjustment margin is understandable.

10. Do you think that the risk adjustment margin would be comparable for entities that are exposed to similar risks?

No. We do not believe the risk adjustment margin would be comparable for entities that are exposed to similar risks. The calculation of the margin is subjective and therefore we cannot be reasonably assured of comparability among entities.

11. Do you agree with the description of cash flows that should be included in the measurement of an insurance contract? Is the proposed guidance operational?

We believe it is difficult to determine from the proposed guidance when, or if, stochastic scenarios for expected cash flows are required for various products. We believe more clarity and examples are required to determine when to incorporate “all possible scenarios”. Additionally, we believe even the most advanced stochastic generators do not contemplate “all possible scenarios” and suggest that the wording be revised to “reasonably possible scenarios” or “estimate of the mean”. We also suggest that current industry practices used by property and casualty insurers in the U.S. be permitted as an alternative to stochastic scenarios for expected cash flows for claim liabilities.

The proposal requires incremental acquisition costs at the contract level to be included in the expected cash flows. We understand this would limit qualifying acquisition costs to commissions and premium taxes. We believe the Boards should converge to the FASB’s recently issued ASU 2010-26 which also allows deferral of direct acquisition costs on successful contracts.

Policy loans represent a common and integral cash flow of the insurance contract liability yet given the Boards proposed guidance on unbundling, these policy loans may be required to be unbundled and reported as a financial instrument. We recommend including policy loans in the expected cash flows of the insurance contract.

12. Do you agree that the carrying amount of all insurance contracts should be discounted if the effect is material? Do you agree with the proposed guidance on the discount rate that

should be used to measure the carrying amount of insurance contracts? If not, which discount rate should be used?

We believe that the carrying amount of most insurance contracts may be discounted if the effect is material. We agree that discount rates should reflect the characteristics of the insurance contract liability. We note that a risk free discount rate is appropriate for many short duration contracts, including property and casualty, as investment returns are not a key driver of the economics. We also note that an earned discount rate is appropriate for participating contracts, including separate accounts, as these contracts pass through all of the investment earnings directly to the policyholder. However, we believe the proposed model does not adequately address long duration life and annuity contracts that pass through a crediting rate to the policyholder implicitly based on the earned rate of related assets. We believe this credited rate is a key characteristic of the liability that should be accounted for in the discount rate.

If the Boards continue to propose the risk free plus illiquidity premium discount rate for all contracts after redeliberations, we are very concerned about the implications to the insurance and financial services marketplace. For certain long duration contracts, the proposal would result in losses in early years, from using risk free discount rates, followed by gains in later years. This pattern of profit emergence would be contrary to the business model of the insurer, confusing to investors and would require significant education of investors.

We believe the reporting of the change in discount rate on the insurance liability should be presented consistently in the financial statements with the reporting of the change in fair value for the related assets. For example, under current U.S. GAAP, insurers who hold the related assets as available for sale with changes in fair value, other than credit, reported in Other Comprehensive Income (“OCI”) would report the offsetting change in liability valuation stemming from the change in discount rates through OCI as well. We recommend the Board consider this reporting relationship as they deliberate any changes in the measurement and presentation of Financial Instruments.

We agree with the Boards that the risk of non performance of the insurer is not appropriate for an insurance liability and should not be included as an adjustment of the discount rate.

13. Do you think that acquisition costs should be included as one of the cash flows relating to the contract? If not, how would you account for acquisition costs?

We agree that acquisition costs should be included in the contract cash outflows.

14. Do you agree that acquisition costs included in the cash flows used in the measurement of the insurance contract should be limited to those that are incremental at the individual contract

level? If not, which acquisition costs, if any, would you include in the measurement of the insurance contract?

We do not agree that the acquisition costs included in the cash flows used in the measurement of the insurance contract should be limited to incremental acquisition costs. We believe that costs qualifying for deferral under the FASB's definition of direct acquisition costs in ASU 2010-26 should also be included in contract cash outflows. ASU 2010-26 allows for deferral of incremental acquisition costs and certain costs directly related to the following acquisition activities performed by the insurer for the contract: underwriting, policy issuance and processing, medical and inspection and sales force contract selling. We believe the FASB's definition of direct costs properly captures those costs that are necessary in acquiring or renewing insurance contracts and, thus, provides the financial statement user with more useful information related to the cash outflows of the insurance contract.

The ED does not consider advertising costs in cash outflows; however, we believe direct response advertising is essential to acquiring and renewing certain insurance contracts and the costs associated with this activity should be included in contract cash outflows if these costs meet the criteria in ASC 340-20, *Other Assets and Deferred Costs – Capitalized Advertising Costs*, per the guidance in the ASU.

Furthermore, U.S. insurers expect to incur significant costs in 2011 to implement the process and system changes required to adopt the ASU 2010-26 for the December 15, 2011 effective date; these implementation costs could have a long-term, rather than temporary, benefit in measuring insurance contracts if the ED is amended to include costs meeting the ASU 2010-26 definition of direct acquisition costs.

15. Do you agree with the use of either the composite margin approach or two-margin approach to measure the net insurance contract? Does either approach faithfully represent the economics of insurance contracts? Is either approach an improvement over the measurement used in current U.S. GAAP?

We do not believe that the FASB proposed composite margin or the IASB proposed two-margin approach represent a significant improvement over current U.S. GAAP. However, of the two proposals, we prefer the composite margin approach to eliminate day one gains and to account for an implicit risk margin over the coverage and claim paying period given the inherent uncertainty in future outcomes.

16. Do you think that the composite margin should be recognized in earnings in subsequent periods using the ratio described in paragraph 83? If not, how would you recognize the composite margin in earnings?

We agree that the composite margin should be recognized in earnings in subsequent periods using the ratio described in paragraph 83 as a starting point. However, we recommend the ratio be updated each reporting period to include any increases in the expected cash flows until the composite margin is reduced to zero. As such, the composite margin would represent a buffer against adverse development. Losses would be recorded for adverse development that exceeds the composite margin. This is in line with the business model of the insurer which includes pricing for a level of uncertainty in timing and amount of actual outcomes. We request more clarity on whether the FASB proposes a composite margin on short duration claim liabilities.

17. Do you agree that interest should not be accreted on the composite margin? Why or why not?

Yes. We agree that interest should not be accreted on the composite margin as the interest expense would be offset by the residual margin release. There would be no benefit to users of the financial statements for this accounting gross up.

18. Do you think that all insurance contracts should be recognized and measured using one approach or that some insurance contracts should be recognized and measured using an alternative approach (for example, the modified approach)? Why or why not?

We believe that the fulfillment value approach is an appropriate measurement principle for certain insurance contracts. However, we believe certain traditional long duration insurance products, including term life insurance, will be better represented by the current U.S. GAAP approach for traditional long duration insurance contracts combined with disclosure of fair value. We agree that different measurement models are required for insurance contracts based on the duration of the coverage period for the contract issued. We believe the arbitrary bright line time period of one year or less should be revised to the principles based approach followed under current U.S. GAAP. We note that the proposed modified method appears overly complicated with a requirement to use the building block approach for onerous contract testing at each reporting period. We recommend permitting, but not requiring, companies to use either the modified approach or the building block approach for short duration contracts.

19. If an alternate approach is required for some insurance contracts, what recognition, measurement, and presentation provisions should be applied (including those items noted in paragraph 106)?

We recommend the current unearned premium approach in FASB ASC 944 as reduced by qualifying acquisition costs under FASB ASU 2010-26.

20. Do both the building-block approach and the modified approach (with the latter approach applied only to certain short-duration contracts) produce relevant and decision-useful information? Why or why not?

The building block approach and the modified approach would, with the changes detailed in the bullet points below, produce relevant and decision useful information:

- Clarify that probability weighted cash flows are intended to describe the “estimate of the mean” instead of all possible scenarios.
- Clarify that a range of discount rates should be permitted based on the characteristics of the liability including the crediting rate.
- Require consistent presentation of changes in interest rates for assets and liabilities.
- Require the composite margin instead of the two margin approach. Require current remeasurements of expected cash flows that result in an increase in cash outflows to be reported as a reduction in the composite margin until that margin is reduced to zero. Any further increases in expected cash flows would be reported as a charge to earnings.
- Revise the definition of acquisition costs included in expected cash flows to include those costs that are deferrable under FASB ASU 2010-26.
- Define the modified approach with principles based definitions for short-duration and long-duration contracts instead of an arbitrary rule of one year or less.
- Retain the current U.S. GAAP approach for traditional long duration insurance contracts with additional disclosure of fair value.

21. How should the scope of insurance products for each approach be defined (for example, duration of coverage period, duration of claims payment period, or type of insurance)?

We believe the current FASB ASC 944 definition of short-duration and long-duration contracts provides a principle based approach for classifying all types of insurance products. We do not believe that the claim paying period should determine the modified approach for premium recognition. Under the proposed guidance, all claims for short duration contracts would be measured under the building block approach and therefore are not a consideration for the determination of modified approach for premium recognition.

22. Are there specific types of insurance contracts for which the approaches would not provide decision-useful information?

We are concerned that direct contracts and related ceded reinsurance contracts that would be reported under differing approaches due to the arbitrary one year or less coverage period requirement would not be reliably presented in the financial statements. We also believe that long duration insurance contracts with crediting rates to policyholders which would be discounted at the risk free rate would not produce decision useful information.

23. What are the implications of the recent U.S. healthcare reform to the application of the proposed contract boundary principle, including whether health insurance contracts written under the new reforms would meet the conditions in the proposed guidance to be accounted for under the modified approach?

We have no comments on the implications of the recent healthcare reform.

24. What other changes should be considered to both improve and simplify U.S. GAAP for short- and long-duration insurance contracts?

Please refer to our response in question 32(e) below.

25. What are the incremental costs of adopting the alternatives described in this Discussion Paper? Please separately describe one-time costs and ongoing costs.

We believe the incremental costs of adopting the proposal to be significant in terms of systems changes for: contract recognition, contract boundary, probability weighted cash flows, and margins, as well as, the necessary education of employees, analysts and investors. This proposal would fundamentally change the way that investors would view the profitability of the insurance industry. If investors do not understand the non economic volatility introduced by the proposal, the industry may have to incur additional costs that are not reflected in the business model today such as hedging costs related to the income statement volatility.

Reinsurance

26. The scope of the proposed guidance includes reinsurance contracts that an insurer issues or acquires. However, insurance contracts held directly by other policyholders would be excluded from the scope of the proposed guidance. Do you agree with this exclusion? Why or why not?

We agree that insurance contracts held directly by other policyholders should be excluded from the scope of the proposed guidance as these contracts would not meet the definition of an insurance contract. The policyholder has not accepted significant insurance risk and they will receive compensation if they are adversely affected by a specified uncertain future event. Policyholders are currently allowed to recognize an asset equal to the amount that can be realizable as of the reporting date. Any amounts in excess of the realizable amount would represent compensation for a potential future event.

27. Should there be symmetry between the recognition and measurement of reinsurance contracts and the underlying contract ceded?

We agree there should be symmetry between the recognition and measurement of ceded reinsurance and the underlying direct contract. However, we do not agree that symmetry

should be required for the recognition and measurement of assumed and ceded reinsurance as each insurer would apply entity specific assumptions for expected cash flows and portfolio level.

Presentation and Disclosure

28. The margin presentation approach highlights the changes in the insurance liability, rather than the current approach in U.S. GAAP, which presents, among other items, premium revenues, benefits paid, operating costs, and changes in loss estimates. Would this change improve your understanding of the performance of an entity that provides insurance (for some types of insurance or for all)? Please explain.

We do not agree that the summarized margin presentation approach would improve the user's understanding of the performance of an entity that provides insurance. We believe that users, including analysts, regularly look to the volume and performance metrics on the income statement and evaluate insurers based on the trends evidenced in these income statement line items. We believe that the margin presentation would result in additional non-GAAP disclosures. We believe that all insurance contracts should report all components of income and expense on the face of the income statement. These line items may include premiums, fee income, benefits, claims, investment income and expenses.

29. Should insurance contracts measured under the building-block approach be presented using a margin presentation approach or a premium presentation approach that would require a true-up amount as described in paragraph 119 (for example, the written allocation presentation approach or the allocated premium presentation approach)?

We believe that insurance contracts measured under the building block approach should be presented in a premium presentation approach that would require a true-up as described in paragraph 119 related to the composite margin recognized in current period earnings.

30. Should short- and long-duration (or nonlife and life) contracts be presented in a similar manner even if such contracts are measured under different approaches?

We believe that short- and long-duration contracts should be presented in a similar manner even if such contracts are measured under different approaches.

31. Do you agree with the proposed disclosures in the IASB's Exposure Draft? Why or why not? If not, what would you recommend and why?

We support the objective of disclosures to help users of the financial statements understand the amount, timing and uncertainty of future cash flows arising from insurance contracts. However, the proposed disclosure requirements represent a significant increase

as compared to current requirements and will be challenging to complete in the limited time frame required by the SEC for public companies.

We do not understand the requirement pertaining to disclosures of risk adjustments and residual margins on short duration contract pre-claim liabilities. We request clarity on the required disclosures for short duration contracts.

We support the disclosure of sensitivity effects on inputs; however, we believe these disclosures should be included in Management's Discussion and Analysis rather than the footnotes to the financial statements. If included in the footnotes, we believe that auditing standards would need to be updated to encompass the auditing of these disclosures. Additionally, the requirement to include correlations of risks may be overly complicated and difficult to judge against actual results. These sensitivities represent management's best estimates. To include these sensitivities in the audited footnotes to the financial statements may be misleading to the financial statement users and imply a practical ability for an insurer to accurately predict actual market movements and policyholder behavior changes.

Additional Question for Respondents

32. After considering your views on the specific issues contained in this Discussion Paper and the IASB's Exposure Draft, what do you think would represent the most appropriate improvement to U.S. GAAP?

- a. Pursue an approach based on the IASB's Exposure Draft?**
- b. Pursue an approach based on the IASB's Exposure Draft with some changes? Please explain those changes.**
- c. Pursue an approach based on the Board's preliminary views in this Discussion Paper?**
- d. Pursue an approach based on the Board's preliminary views in this Discussion Paper with some changes? Please explain those changes.**
- e. Make targeted changes to address specific concerns about current U.S. GAAP (for example, items included in paragraph 7)? Please describe those changes.**

The appropriate decision on accounting for insurance contracts must take into account: the IASB's stated urgency to finalize the insurance contracts standard; the SEC's imminent decision on the IFRS Roadmap including whether or not they will require U.S. public companies to transition their basis of reporting to IFRS; and the fact that a comprehensive set of insurance accounting principles already exists in the U.S. Balancing these various timeframes and decision makers is an important consideration while contemplating the appropriate next steps. Our recommendations are as follows:

- We urge the FASB to continue to work with the IASB to converge the Insurance Contract standard.

- We also believe it is prudent to assess the SEC decision on the IFRS Roadmap prior to the FASB making a final decision on the proper course of action for accounting for Insurance Contracts. It would be a burden on U.S. insurance companies to implement significant targeted changes to existing standards in the short run and then have to make wholesale changes to a new standard in a few years if the SEC chooses to transition to IFRS.
- Alternatively, if the SEC decides not to transition to IFRS, we believe that targeted changes to U.S. GAAP will significantly close the gap with the IASB proposed standard. The changes we recommend to current U.S. GAAP are as follows:
 - Require insurance contracts issued by noninsurance entities to follow insurance accounting standards.
 - Update the insurance contract definition to include the concept of compensation rather than indemnification.
 - Rather than unlocking assumptions for all traditional long-duration contracts, we recommend expanding the required disclosures for these contracts similar to the disclosures that are required for property and casualty reserves. These disclosures would provide relevant and reliable information on the composition of the reserves and the sensitivity of the liability to potential market movements and policyholder behavior changes.
 - We also recommend additional disclosures of discount rates for insurance contract liabilities and the related sensitivity to interest rate and credit risk movements.
 - We do not recommend any changes to discounting of short duration contracts.