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Via Email: director@fasb.org

May 31, 2013

Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, Connecticut 06856-5116

RE: File Reference No. 2012-260

Dear Ms. Cosper:

Ameriprise Financial, Inc., one of the nation's leading financial planning, asset management and insurance and annuity companies, respectfully offers comments for your consideration with respect to the Financial Accounting Standards Board's (the "FASB") Proposed Accounting Standards Update, *Financial Instruments – Credit Losses (Subtopic 825-15)* (the "ED" or "Proposed Standard").

Executive Summary

We support the FASB's ultimate objective of providing financial statement users with more decision-useful information about the credit losses of financial assets held by a reporting entity. However, as we discuss further in our responses below, we believe applying certain aspects of the Proposed Standard will prove difficult and, ultimately, result in an entity presenting misleading financial information. We believe the Proposed Standard is not an improvement to the current U.S. GAAP incurred loss model especially for debt securities. There is increased subjectivity in projecting expected losses for long maturity debt securities that may result in less comparable financial statements across entities. For financial assets with long maturity dates, the assumption and forecasts for developing expected losses will inherently be very subjective.

We also believe it is inappropriate to require reporting entities to project at least one scenario of a credit loss in its estimated credit loss allowance when the likelihood of a credit loss is remote. Rather, we suggest utilizing management's best estimate of expected credit losses. Utilizing management's best estimate to recognize an expected credit loss is less burdensome, less costly and no less accurate when compared to the required two-scenario approach.

Based on our interpretation of the ED, there is a fundamental flaw in the practical expedient proposed for certain debt securities that would result in recording a credit loss allowance solely due to temporary changes in interest rates. The practical expedient also results in unnecessary income statement volatility as debt instruments may or may not qualify for the practical expedient in a subsequent reporting period solely because interest rates change. Lastly, we believe that the scope of the Proposed Standard is very broad and includes certain financial assets that should not be included in this measurement model.

We also urge the FASB to continue deliberations with the IASB in an effort to issue one high-quality accounting standard with a converged credit loss model. Divergence between the two standard setters may result in competitive disadvantages when comparing financial performance and financial condition between domestic and international companies. The FASB should also align its conclusions for the insurance accounting standard with the final financial instrument standards.

Specific Observations

To the extent the FASB chooses to move forward with the ED and its expected credit loss model, we bring to your attention the following matters that should be addressed and amended prior to finalization of a new credit loss standard:

Required Two-Loss Scenario Approach

Paragraph 825-15-25-5 of the Proposed Standard requires that an estimate of expected credit losses consider a minimum of two possibilities, one that results in a credit loss and one that results in no credit loss. We do not understand the FASB's rationale for this requirement for certain types of financial assets that are within the scope of the Proposed Standard.

For example, short-term receivables which settle within 90 days or inter-company receivables reported on subsidiary financial statements, the expected credit loss estimate will not be improved by considering two scenarios rather than a best estimate especially when immaterial or no credit losses are expected to occur and may overstate losses.

There are also many types of investments such as U.S. government obligations and municipal bonds where companies may own significant portfolios of these types of assets. Projecting credit losses when historically no losses have occurred or have been very infrequent does not seem appropriate. It is unclear as to how or why it is appropriate to estimate at least one scenario with a loss resulting in expected credit losses for assets with limited or no credit loss history when no changes are expected to the historical data. It seems misleading to recognize credit loss allowances on financial assets where the likelihood of realizing a loss is remote, specifically in situations where interest rate changes result in declines in a debt instrument's fair value and the asset does not meet the practical expedient. It also seems counter-intuitive to record a credit loss allowance on an instrument that purportedly pays a risk-free interest rate such as U.S. government obligations.

In general, requiring a minimum of two scenarios (one with a credit loss and one without a credit loss) to arrive at an entities' expected credit loss allowance adds complexity to the allowance setting process and introduces unnecessary costs, including human capital, with no offsetting increase in the accuracy of the credit loss allowance. Rather, we suggest the FASB allow the use of 'management's best estimate' to record the credit loss allowance. Best estimates have been applied in U.S. GAAP for many years and are understandable and operationally easier and less costly to apply than the two scenario model in the Proposed Standard.

For longer maturity financial assets, the assumption and forecasts for developing expected losses will inherently be very subjective. Estimates of expected credit losses would depend upon many factors including management judgment, the availability and quality of data and the sophistication of the financial statement preparer's credit models reducing the value of the two scenario approach as compared to a best estimate approach.

Modification and Expansion of the Recognition Practical Expedient

We do not believe that the practical expedient as currently drafted in the Proposed Standard (825-15-25-3) is operational for individually-assessed financial assets measured at FV-OCI. The requirement for the financial asset to be in an unrealized gain position and to have insignificant expected credit losses makes the practical expedient difficult to implement and maintain. As proposed, the practical expedient may result in unnecessary volatility in the income statement that may be unintelligible for financial statement users when investments change between qualifying and not qualifying for the practical expedient each reporting period when credit risk has not changed. Specifically, interest rate movements will result in fair value changes, some of which may cause quarter-to-quarter shifts in whether the financial asset qualifies for the practical expedient.

We do not believe this potential income statement volatility is consistent with the business purpose model included in the proposed *Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities* ('the Recognition and Measurement ED"). The potential short-term income statement volatility is clearly misaligned with the insurance industry's long-term liabilities and matched assets business model. The potential volatility could have unintended consequences related to deferred tax assets and may drive additional documentation requirements from various regulators for our stand-alone subsidiary financial statements. Internal resource costs and external audit costs to track when assets are in or out of the practical expedient and to make adjustments to the process would be significant.

As an alternative, we believe an "or" should be included between the two conditions. For example, it does not seem appropriate that a bond purchased at or near par for which there has been no changes in credit spreads should qualify for the practical expedient one reporting period, but because risk-free interest rates increased slightly, a reporting entity would need to measure and report a credit loss in the next period, only to possibly reverse such loss the following reporting period when risk-free interest rates fall. Allowing either condition to trigger the application of the practical expedient would allow investments with unrealized losses due solely to changes in interest rates to still qualify.

We agree with the concept of a practical expedient, if modified as suggested above, allowing reporting entities to not recognize a credit loss allowance on individual financial assets classified as fair value through other comprehensive income ("FV-OCI"). Similarly we believe the practical expedient should be expanded to those financial assets classified as amortized cost ("AC") under the proposed Recognition and Measurement ED, if assessed for impairment on an individual asset basis. The FASB should also provide implementation guidance to assist financial statement preparers in assessing "insignificant expected credit losses" in order to promote consistency across all financial statement preparers.

Scope

Policy loans are currently considered financial assets and are reflected as investments on life insurers' financial statements. We believe that financial assets currently arising from insurance contracts should be excluded from the scope of the Proposed Standard. Policy loans carry no credit loss exposure to an insurer. Upon policyholder death, outstanding policy loans and unpaid interest are deducted from death benefits to be paid by the insurer. Only in extremely rare circumstances do policy loan balances exceed the death benefits of an insured. We also understand from monitoring the FASB's deliberations on the Insurance Contracts project, policy loans will be included in the net cash flows of the insurance contract and will no longer be measured or presented separately from the insurance contract. Applying this Proposed Standard prior to the effective date of the anticipated Insurance Contracts standard would require changes to policy loan accounting multiple times over a short period of time, confusing users of the financial statements and creating unnecessary costs and burdensome process changes for reporting entities.

Additionally, accounting for reinsurance recoverables will change once the Insurance Contract project is finalized. The current U.S. GAAP accounting for reinsurance recoverables includes receivables on paid claims as well as an estimate of ceded incurred but not reported ("IBNR") claim reserves. Insurers typically present the aggregation of these amounts in one line on the face of the balance sheet titled 'reinsurance recoverables'. We suggest excluding from the scope of the final standard the ceded IBNR-related estimates as they are not currently due and reflect management's best estimate of ceded IBNR (future claim payments). Specifically for property and casualty insurers, the IBNR recoverable balance reflects a best estimate of reinsured claim losses, an undiscounted cash flow measurement. Using a discounted cash flow model based on time value of money to create a credit loss allowance is inconsistent and results in an undiscounted recoverable and a discounted allowance being reported together.

Reflecting a Decision to Sell a Financial Asset Carried at FV-OCI

The FASB's Recognition and Measurement ED requires a credit loss (or impairment) to be recorded when an entity intends to sell a financial asset carried at amortized cost. The impairment would reflect the difference between a financial asset's fair value and its amortized cost. It is unclear how an equivalent credit loss or an interest rate loss would be recorded in the financial statements when an entity decides to sell a financial asset carried at FV-OCI. We believe that the FASB's intent was that credit impairments on FV-OCI assets management intends to sell would already be reflected in the scenarios underlying the credit loss allowance. In an effort to ensure consistent application of the accounting principle, we request the FASB provide clarifying, application guidance on how the credit loss allowance should be impacted when a decision to sell a FV-OCI financial asset has been made. We also believe the FASB should clarify the accounting for when a reporting entity makes a decision to sell a FV-OCI asset in a loss position due solely to changes in interest rates.

Interest Income

The ED eliminates the existing guidance for interest income recognition for certain beneficial interests. We believe that some beneficial interests may still be measured at AC or FV-OCI as a result of the Classification and Measurement ED. If the interest income guidance is deleted, as proposed by the ED, it is unclear how improvements in underlying collateral pool cash flows would be recognized in the financial statements. In addition, the Proposed Standard does not specifically state that it is permissible to separate interest receivable from the fair value of the assets. Allowing for the separate reporting of interest receivable would alleviate some operational burden by continuing the current practice. Therefore, we request that the FASB retain the current interest income recognition guidance for beneficial interests and allow for interest receivable from debt securities classified as FV-NI to be separately reflected in the financial statements. This would appropriately reflect the economics of interest receivables and interest income versus fair value changes.

Additionally, in determining when an entity should cease accrual of interest income, the Proposed Standard requires an evaluation of each individual financial asset to determine the probability of collecting principal and/or interest. We believe individual assessment of probability is inconsistent with assessing credit losses on a pooled basis.

We suggest the FASB remove the requirement to individually assess the probability of collecting substantially all principal and/or interest in determining when an entity should cease accrual of interest income. As an alternative, because debtors may not act similar with respect to past due interest, we suggest the FASB require an entity cease accrual when interest becomes past due over an extended period of time (for example, over 90 days past due which is currently used by banking industry) if assets are assessed for impairment on a pooled basis. If the FASB retains the requirement to individually assess the probability of collecting substantially all cash flows, we suggest the existing probable/incurred loss impairment model for individual debt securities should be retained to avoid unnecessary and duplicative modeling.

Implementation Timetable, Related Costs and Auditability

We believe that implementation of the ED as proposed would require 24 to 36 months after the issuance of the final standard. This timeframe reflects the need to develop new impairment models that would include collecting historical loss data for our debt securities, identifying other relevant historical industry data, developing judgments and estimates of future economic forecasts and back-testing those estimates to ensure reasonableness and accuracy. We also believe that significant resources would be needed to develop, test and implement credit loss models and to enhance existing financial asset accounting systems for loans and debt securities.

This would include updating SOX processes and controls. In addition, the adoption and new on-going processes required under the Proposed Standard will increase auditor time and fees due to the model complexity and will add pressure to our ability to file our 10-Qs and 10-Ks in accordance with the SEC filing deadlines.

Specific to adoption, significant resources and expense would be incurred to restore the amortized cost on previously impaired assets, especially beneficial interests that have had periodic principal pay-downs subsequent to other-than-temporary impairments. The insurance industry would also be required to calculate a cumulative effect adjustment for deferred acquisition costs adding complexity and costs to implementation.

In conclusion, we believe with the modifications we recommend above, the proposed model could be feasible and achieve the FASB's goals of recognizing losses earlier and reducing overall complexity in the accounting standards. However, without the aforementioned enhancements, we do not believe that the Proposed Standard is an overall improvement to existing accounting standards and will increase our costs significantly when compared to the costs of applying existing U.S. GAAP and will not provide additional useful information or transparency to our financial statement users.

Thank you for your consideration of our comments on this topic. If you have any questions, comments or would like further information, please contact me at (612) 678-4769.

Sincerely,

David K. Stewart
Senior Vice President and Controller