



Michael Monahan
Senior Director, Accounting Policy

October 1, 2013

Ms. Susan Cospers, Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update, Presentation of Financial Statements – Disclosures about Uncertainties about an Entities Going Concern Assumption (Topic 205) - File Reference No. 2013-300

Dear Ms. Cospers:

The American Council of Life Insurers (ACLI)¹ appreciates the opportunity to comment on the “Presentation of Financial Statements – Disclosures about Uncertainties about an Entities Going Concern Assumption (Topic 205) – Exposure Draft,” (“ED”) issued June 26, 2013. The following represents our general comments.

We appreciate the Board’s efforts to address disclosure guidance in US GAAP when there may be an uncertainty as to whether the reporting entity will continue to operate such that it will be able to realize its assets and meet its obligations for the foreseeable future. We believe it is management’s primary responsibility to make this assessment, and provide appropriate disclosures if significant risks or uncertainties exist that could materially affect the reporting entity’s ongoing operations. Disclosure of significant risks and uncertainties is already required under US GAAP for all reporting entities. In addition, there are industry specific disclosure requirements related to regulatory capital requirements and limitations (e.g., current capital levels of insurance subsidiaries in relation to capital levels that would require regulatory action and dividend capacity of insurance subsidiaries without prior approval from regulators). The challenge and sensitivity in developing specific disclosure criteria with respect to going concern uncertainties is that any disclosure that is made that implies management has even a small doubt regarding an entity’s ability to continue as a going concern for the foreseeable future could,

¹ The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with more than 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American Families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums. Learn more at www.acli.com.

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in and of itself, create undue panic among lenders and other stakeholders, potentially resulting in even greater uncertainty, becoming a self-fulfilling prophecy. Therefore, the ACLI believes that no additional disclosure guidance needs to be incorporated into US GAAP with respect to going concern uncertainties. The ACLI has the following observations and recommendations with respect to the ED.

In general, the ACLI believes that normal risk management practices will cause management to take actions to avoid ever approaching the “more likely than not” threshold. In some cases, these actions may be some that the reporting entity has taken before, or in other cases, may be actions that a reporting entity may not have taken before, with the focus on those with the least execution risk. We do not believe whether the actions a reporting entity chooses to take are within or outside the ordinary course of business, as defined by the ED, is relevant in making this assessment. We believe the level of execution risk is a more relevant criterion, as there are actions in the ordinary course of business that may have significant execution risk, and actions outside the normal course that may have low execution risk. Therefore, we recommend the going concern assessment not be limited to only considering remedial actions within a reporting entity’s ordinary course of business. This approach appropriately focuses on the execution risk and also eliminates the judgment involved in determining what constitutes actions within the ordinary course of business.

If the ED retains the consideration of whether the actions an entity chooses to take are within or outside the ordinary course of business, the ACLI believes that current or potential related party arrangements should be considered in the “more likely than not” assessment regardless of whether they would be considered within or outside the ordinary course of business. Examples of such arrangements common in the insurance industry include parent or sister company guarantees of a subsidiary’s obligations and subsidiary capital maintenance agreements. We assert that all actions or plans involving entities under common control should be incorporated into the “more likely than not” assessment, given the lower execution risk associated with transactions between entities under common control in comparison to third-party transactions.

In summary, the ACLI agrees with the Board that it is management’s primary responsibility to assess the uncertainty surrounding whether an entity will continue to operate such that it will be able to realize its assets and meet its obligations for the foreseeable future. We note that current US GAAP disclosure standards require management to provide appropriate disclosures in the event that significant risks or uncertainties exist that could materially affect the reporting entity’s ongoing operations. In addition, for certain regulated industries, such as insurance, additional specific disclosures are required to assist the financial statement users in assessing such uncertainties. Therefore, the ACLI believes that no additional disclosure guidance needs to be incorporated into US GAAP with respect to going concern uncertainties.

Sincerely,



Michael Monahan
Senior Director, Accounting Policy

cc: Daghan Or
Libby Van Wagenen