



*The Company You Keep®*

**New York Life Insurance Company**  
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October 25, 2013

Mr. Russell G. Golden, Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

Re: Insurance Contracts Exposure Draft (File Reference No. 2013-290)

Dear Mr. Golden:

The New York Life Insurance Company (New York Life) welcomes the opportunity to provide comments on the Insurance Contracts Exposure Draft (ED).

New York Life along with three other global financial service companies (collectively, the “Group”) have jointly field tested the ED with the assistance of a third party consultant who helped produce the report we submitted to you on October 11, 2013, which summarizes the results of the field test. The more significant issues identified in the report concerned:

- 1) The appropriate discount rates that should be used (current vs. long term rates) for implementing the Building Blocks Approach
- 2) The treatment of changes to future cash flows and its impact on earnings (if it is not appropriate to have a gain Day 1, it does not seem appropriate to recognize a gain Day 2)
- 3) Presentation of Net Income, in particular revenue recognition for insurance contracts

This letter is limited to issues not addressed in the report.

### **1) Projecting Policyholder Dividends**

We agree with the ED’s provision that liability cash flows should include policyholder dividends and that potential dividends should represent what is expected to be paid. We therefore agree that mutual insurance companies can have surplus as not all surplus will be paid in dividends. Similar to other entities, mutual insurance companies need to retain a level of surplus for future expenditures, unforeseen risks and to meet minimum and rating agency capital requirements.

### **2) Implementation**

We are concerned that once the implementation process begins, questions will arise that the new standard does not address. To facilitate a smooth adoption process, we strongly recommend that FASB establish an implementation working group whose function will be to receive questions from preparers and auditors and prepare responses for the Board to confirm. This working group would be temporary and would terminate on the date of mandatory adoption (or sooner if the Board decides it is no longer needed).

Thank you again for the opportunity to share our insights into the proposed standard, and we hope the field testing and this letter are helpful as you continue your deliberations. If you have any questions, please do not hesitate to contact us.



John T. Fleurant  
Executive Vice President and Chief Financial Officer



Robert Gardner  
Vice President and Controller