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Technical Director
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Financial Accounting Standards Board
401 Merritt 7
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Pfizer is a research-based, global biopharmaceutical company with its principal place of business in New York. We discover, develop, manufacture and market leading medicines and vaccines, as well as many of the world's best-known consumer healthcare products. Pfizer's total revenues and assets reported in its Annual Report for the year ended December 31, 2012 were approximately \$59 billion and its assets were \$186 billion.

We appreciate the opportunity to respond, as a non-financial institution preparer, to the FASB Proposed Accounting Standards Update (Proposed ASU) on *Insurance Contracts (Topic 834)*.

We request that the Proposed ASU clarify our interpretation that an entity, with a consolidated captive insurance company that cedes some or all of its risk to an unaffiliated third party, is not required to apply the guidance in the Proposed ASU in the books and records of its captive within its consolidated financial results. Said differently, that said captive would only apply the guidance in the Proposed ASU in a set of standalone financial statements prepared in conformity with U.S. GAAP.

We believe that the above is the intention of the Proposed ASU through the following two paragraphs:

834-10-15-5 An entity shall apply the guidance in this Subtopic to all contracts that meet the definition of an insurance contract, except for all of the following: ...

- i. Insurance contracts in which the entity is the policyholder, unless those contracts are reinsurance contracts (that is, they compensate the entity for losses on one or more insurance contracts that are within the scope of this Topic issued by that entity).

834-10-55-26 All of the following are examples of items that are not insurance contracts, assuming there is not a transfer of significant insurance risk: ...

- g. Self insurance (that is, an entity retaining its own risk that could have been covered by an insurance contract with a third party). In those situations, there is no insurance contract because there is no agreement with another party. Thus, if an entity (that is, a captive) only issues insurance contracts to other entities within a group, the parent would not account for those contracts as insurance contracts in the consolidated financial statements of the group because there is no contract with

another party. However, the captive would account for the contract as an insurance contract in its standalone financial statements.

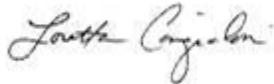
Further, we believe that our interpretation is consistent with paragraph BC75 that “a cedant should not recognize a reinsurance contract asset or liability until the underlying contract is recognized...” In the consolidated financial statement, the underlying insurance liabilities will have been eliminated after the consolidation of the captive insurance company into the parent.

But, while the above is helpful, we would prefer greater clarity as we do not believe that the reinsurance contracts held by the consolidated captive (that only issues insurance contracts to other entities within a group) should be accounted for under the guidance of the Proposed ASU in the consolidated financial statement of the group. Economically, that consolidated entity has the same risk profile as another consolidated entity that simply covered the risk directly through an insurance contract with a third party.

We ask that the Board provide clarification on the accounting and disclosure treatment of reinsurance contracts held by captive insurance companies when the captive is to be consolidated into the parent’s financial statements.

We appreciate your consideration of these comments.

Sincerely,



Loretta Cangialosi
Senior Vice President and Controller

Cc:

Frank D’Amelio
Executive Vice President, Business Operations and Chief Financial Officer