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

Re: Proposed Accounting Standards Update, *Insurance Contracts (Topic 834)*

Liberty Life Assurance Company of Boston ("we" or "the Company") appreciates the opportunity to provide the Financial Accounting Standards Board ("FASB") with our comments pertaining to the "Insurance Contracts (Topic 834) – Exposure Draft," ("ED") issued June 27, 2013. We support the FASB's development of a consistent model for the accounting for life insurance contracts and believe progress has been made towards that end goal. However, we do have specific concerns with certain aspects of the ED as discussed below and within our responses to the Questions for Comment.

Definition of Portfolio of Contracts

We do not support the definition of a portfolio of contracts as currently defined within the ED. We believe this definition introduces an unintended level of granularity in the level of measurement of insurance contracts. We do support the concept that products with fundamentally different risks such as term life and deferred annuities should not be aggregated into a single portfolio. However, policies within the same fundamental product type are issued to a broad range of issue ages (0-85), which clearly leads to a broad range of durations. In addition, it is not uncommon for risk classes within a product type to have different profit expectations which together when aggregated meet a broader profitability objective. However, broader groups of policies and types of policies are typically managed and measured as a whole when assessing the profitability of the business. The pattern of release of risk would be the same had we split each risk category or continued to combine them in the manner in which the business is managed. We would suggest a portfolio of contracts be defined as "a group of insurance contracts subject to similar relative risks and managed as a single pool."

Margin

We support the Board's decision to use a one margin approach as the concept of deferring an expected profit upon inception of a portfolio of contracts would be valuable to the reader of the financial statements and recommend that maintaining this principle as policies are released from risk would continue to be valuable to reader. We believe a locked in margin upon inception is inconsistent with the principle of recording deferred profit at each reporting date and will be of limited value to the reader of the financial statements on a prospective basis. Life insurance products are typically long duration in nature and have coverage periods 50 year or more, therefore changes in assumptions over such a long duration can result in material changes in the estimated liability or alternatively the estimated future profit in a portfolio of contracts. In this case, a locked in margin will result in significant volatility in earnings as a result of the methodology rather than true economics of the business. We support an unlocked margin as this will provide the user of the financial statements a better representation of the estimated deferred profit as of the date of the financial statements and unlocking would maintain the estimated deferred profit on a prospective basis.

In addition, we urge the Board to consider the fact that life insurance products by their nature are driven not only by underwriting margins, but also investment margins. Therefore, based upon the margin calculation as provided within the ED, a potential day one loss could be mechanically calculated (as it excludes expected future investment margins through the use of a discount rate that excludes profit earned for taking on default risk) however the true expectation of margin for the product could be positive considering the investment margin expected over the life of the portfolio of contracts.

Inclusion of an aggregate loss recognition test would determine, as of a financial statement date, if a "true loss" is expected based upon both underwriting and investment results.

Complexity

Given the complexity of the ED, we urge the Board to allow for additional enhanced field testing to be performed, as well as consideration of the observations from the field testing performed to date (please refer to the Life Insurer Comments on Field Testing of FASB and IASB Insurance Contracts Proposals dated October 11, 2013), in order to provide greater insight into the results of this accounting change. While many of the accounting changes within the ED may appear workable, field testing may uncover unexpected and unintended consequences that should be considered prior to finalization of the Standard. In addition, certain simplifying assumptions were made as part of the life insurer field testing performed which once enhanced to align with the final issued Standard, could illustrate drastically different results than published and raise additional areas for concern.

The additional disclosures required would need to be assessed to determine ability to extract such information from valuation systems on a timely basis to meet current financial reporting requirements. As noted in the results of the published field testing, the Board should not underestimate the time and resources necessary to implement the changes necessary to comply with the final Standard. Also, the presentation of the financial statements will need to be reviewed to ensure the needs of the primary users of the financial statements are met.

In addition to the comments expressed herein we have also provided responses to the Board's questions in the Exposure Draft with specific impacts to life insurance in the appendix attached.

Sincerely,

John Doyle
Vice President & Comptroller
Liberty Mutual Group

Thomas Kalmbach
Vice President & CFO
Liberty Life Assurance Company of Boston

Appendix – Questions for Respondents

Questions for All Respondents - Recognition

Question 2: Do you agree with the requirements included in this proposed Update for when noninsurance components of an insurance contract, including embedded derivatives, distinct investment components, and distinct performance obligations to provide goods or services, should be separately accounted for under other applicable Topics? If not, why?

Based upon our understanding of the requirements to separately account for embedded derivatives, distinct investment components, and distinct performance obligations to provide goods or services, we have no material concerns with the requirement in the proposed update. Unbundling distinct investment components should provide transparency into the insurance risk within the financial statements.

Questions for Preparers and Auditors - Portfolio and Contract Boundary

Question 8: Do you agree with the definition of a portfolio of insurance contracts as included in this proposed Update? If not, what do you recommend and why?

We do not agree with the definition of a portfolio of insurance contracts as included in this proposed Update. A company's pricing strategy and risk appetite based upon risk class and issue age for each product should not have an impact on the level of granularity in which the financial statement balances are calculated and reported. In addition, the practice currently in place to group certain contracts by issue year does not reduce the complexity needed to bifurcate them by duration and similar pricing relative to the risk as required by the proposed Update. Long duration life insurance products are managed at a much less granular level, at either a product or issue year basis, therefore significant effort would be needed not only to establish a process, but to continually report portfolio of contracts at a more granular level which we do not believe would be useful to the users of the financial statements. We do support the concept that products with fundamentally different risks such as term life and deferred annuities should not be aggregated into a singular portfolio. We would suggest a portfolio of contracts be defined as "a group of insurance contracts subject to similar relative risks and managed as a single pool."

Question 9: Do you agree with the requirements included in this proposed Update on contract boundary (that is, the requirements that establish how to identify the future cash flows that will arise as the insurer fulfills its obligations)? If not, what do you recommend and why?

Yes we agree with the requirements within the proposed Update on contract boundary.

Questions for Preparers and Auditors - Fulfillment Cash Flows

Question 10: Do you agree with the types of cash flows that would be included in the measurement of the fulfillment cash flows, including embedded options and guarantees related to the insurance coverage under existing insurance contracts that are not separated and accounted for as embedded derivatives? If not, what cash flows do you think also should be included or excluded and why?

No, we do not agree with the types of cash flows that would be included in the measurement of the fulfillment cash flows. Direct acquisition costs are specifically excluded from fulfillment cash flows however are a key component to meeting obligations under the insurance contracts. Including direct acquisition costs within the margin creates accounting mismatches as the changes to cash flows for related policies are recognized immediately into income while the related direct acquisition costs are continuing to be amortized over the "locked in" release of risk period. We support consistency with the IASB to include direct acquisition costs within fulfillment cash flows which is a better match of policy cash flows and policy related expenses. Therefore, to avoid other accounting mismatches, we suggest other acquisition costs such as ultimate commissions and premium taxes are clarified to be included as part of direct acquisition costs within fulfillment cash flows. Ultimate commissions and premium taxes, while not specifically a policyholder cost, are directly related to the issuance of a policy and would not have been incurred had the policy not been issued. Other types of costs such as guaranty fund assessments and overhead expenses do not specifically relate to the issuance of a policy and relate more to the general operation of the company in the life insurance industry therefore should be excluded from fulfillment cash flows.

Question 11: Do you agree that the assumptions used in the measurement of the fulfillment cash flows should be updated each reporting period? If not, what do you recommend and why?

No we do not agree that all assumptions used in the measurement of the fulfillment cash flows for long duration products should be updated each reporting period. While certain assumptions such as the discount rate are necessary to update each reporting period to reflect the information available at the end of the reporting period, with life insurance products being long duration in nature, many assumptions are derived using a long term view therefore would not be meaningful to update more than annually, unless an indicator arises at the end of a reporting period that would require an adjustment at that point in time (similar to the current requirements for a goodwill impairment test).

Question 12: Do you agree that the fulfillment cash flows for contracts measured using the building block approach and the liability for incurred claims for contracts measured using the premium allocation approach should be based on an explicit, unbiased, and probability-weighted estimate (that is, the mean) of the future cash flows, as of the reporting date, expected to arise as the entity fulfills the contract, adjusted to reflect any contractual linkage between the contract and any underlying assets? If not, what do you recommend and why?

Yes we support the concept of fulfillment cash flows for contracts measured using the building block approach being based on an explicit, unbiased, and probability-weighted estimate of the future cash flows, as of the reporting date, expected to arise as the entity fulfills the contract. However, the concept of "unbiased" may be unnecessary as it will result in difficulty for an auditor to conclude on the assumptions used. A measurement based upon an explicit, probability-weighted mean may be sufficient to meet the Board's objective.

Questions for All Respondents - Fulfillment Cash Flows

Question 13: Do you agree with the approach in this proposed Update to recognize changes in estimates of cash flows (other than the effect of changes in the liability arising from changes in the discount rates) in net income in the reporting period? If not, what do you recommend and why?

No we do not support the approach in this proposed Update to recognize changes in estimates of cash flows (other than the effect of changes in the liability arising from changes in the discount rates) in net income in the reporting period. We do not believe current period underwriting margin should be impacted by changes in estimates of future cash flows. See response to Question 22 regarding unlocking of the margin to reflect the changes in such estimates.

Questions for All Respondents - Discount Rates and Discounting

Question 14: Do you agree that the discount rates used by the entity for nonparticipating contracts should reflect the characteristics of the insurance contract liability and not those of the assets backing that liability? Why or why not?

Yes we agree that the discount rates used by the entity for nonparticipating contracts should reflect the characteristics of the insurance contract liability and not those of the assets backing that liability. Certain key differences will exist between the liabilities and the assets that support them and the proposed Update allows for that consideration to be reflected in the financial statements.

Question 16: Do you agree that an entity should segregate the effects of underwriting performance from the effects of changes in discount rates (which would reverse over time) by recognizing changes in the present value of the fulfillment cash flows due to changes in the discount rates in other comprehensive income? If not, do you think that the effect of changes in the discount rates should be presented in net income? Please explain your reasoning.

We believe significant progress has been made regarding the inclusion of the changes in discount rate through Other Comprehensive Income and this may significantly reduce the volatility within net income and provides transparency into the impact of investment performance on insurance liabilities. Consideration of and consistency with the fair value accounting requirements in the Accounting for Financial Instruments must be taken into account to ensure there are no fair value accounting mismatches between assets and liabilities. We believe field testing performed has illustrated the potential accounting mismatches for assets that will be recorded at fair value through the income statement therefore it is necessary to assess the accounting effectiveness intended by this change.

Question 17: Because the proposed guidance includes the approach under which changes in the insurance liability arising from changes in the discount rates should be recorded in other comprehensive income, do you think that a test should be required to trigger recognition in net income of some or all of the amounts in accumulated other comprehensive income (that is, a loss recognition test based on asset-liability mismatches)? Why or why not?

We are not supportive of a test to trigger recognition into net income some of the amounts in accumulated other comprehensive income. We believe other comprehensive income will reflect and create transparency into the timing risk for a company as a result of potential asset-liability mismatches. Gains or losses will be appropriately realized for either the assets or liabilities as they occur through the income statement.

Questions for Preparers and Auditors - Discount Rates and Discounting

Question 18: Do you agree that the method for calculating the discount rates should not be prescribed? Is the proposed guidance on determining the discount rates understandable and operable? If not, what do you recommend?

We agree that the method for calculating the discount rate should not be prescribed and the proposed guidance is understandable and operable. This will allow flexibility to apply the most appropriate method of discount rate calculation to the liabilities based upon the nature of such liabilities. While this will create disparity in application in the proposed guidance, the required disclosures relating to discount rates should provide sufficient information to describe the method applied by companies to calculate the discount rate.

Question 19: Do you agree that interest expense generally should be based on the discount rates determined at the date the portfolio of contracts was initially recognized? Why or why not? If not, what do you recommend?

Yes we agree that interest expense should generally be based upon the discount rates determined at the date the portfolio of contracts was originally recognized, however the ability to unlock this rate should a loss recognition event occur should be allowed in order to appropriately reflect interest margin losses on a portfolio of contracts.

Question 20: Do you agree that upon any change in expectations of the crediting rates used to measure the insurance contract liability for insurance contracts with discretionary participation features, the interest accretion rates should be reset in a manner that recognizes any changes in estimated interest crediting and related expected cash flows on a level-yield basis over the remaining life of the contracts? If not, what do you recommend?

We support the notion that for any change in expectations of the crediting rates used to measure the insurance contract liability for insurance contracts with discretionary participation features, the interest accretion rates should be reset in a manner that recognizes any changes in estimated interest crediting and related expected cash flows. However these adjustments should not be specified to calculate only on a level-yield basis over the remaining life of the contracts and alternatives should be considered such as a parallel shift in the yield curve or other variations which reflect changes to the yield curve.

Questions for All Respondents - Margin for Contracts Measured Using the Building Block Approach

Question 21: Do you agree that an insurer should not recognize a gain at initial recognition of an insurance contract (such a gain would arise when the expected present value of the cash outflows is less than the expected present value of the cash inflows) but, rather, should defer that amount as profit to be recognized in the future? Why or why not?

Yes, we agree the insurer should not recognize a gain at inception of the contract and the gain should be deferred and recognized in the future as the insurer is released from risk as this information will be valuable to the user of the financial statements.

Question 22: Do you support using a one-margin approach, as is included in this proposed guidance, or an explicit risk adjustment and a contractual service margin (as the IASB proposes)? Please explain the reason(s) for your view.

We support the use of a one-margin approach rather than the IASB proposal of an explicit risk adjustment and a contractual service margin. The separate risk adjustment and contractual service margin can be extremely difficult to separate and estimate upon inception of a long duration contract, as well at each reporting period, and therefore would not provide consistent information to benefit the users of the financial statements. However, given the long duration nature of life insurance contracts, we believe we should have the ability to unlock the margin in future periods based upon changes in expectation of future profits either from timing of cash flows. Unlocking will provide a current view of the remaining underwriting margin (deferred profit at each reporting period) for a portfolio of contracts as of the financial statement date which is meaningful to the user of the financial statements. In addition, the disclosures included within this proposed Update would provide transparency to the users of the financial statements into any unlocking adjustments made during the period as well as rationale for the adjustment.

Question 23: If you support a risk adjustment and a contractual service margin, do you agree with the IASB's approach to adjust the contractual service margin for changes in estimates of cash flows? Why or why not? Do you agree with the IASB's approach to not specify acceptable approaches to determine the risk adjustment? Why or why not?

No comment – see response to Question 22 for our preference of a one-margin approach.

Question 24: Do you agree that a loss at initial recognition of a portfolio of insurance contracts should be recognized immediately in net income (such a loss would arise when the expected present value of the cash outflows exceeds the expected present value of cash inflows)? Why or why not?

No we do not agree that a loss at initial recognition of a portfolio of insurance contracts should be recognized immediately into income. As discussed in response to Question 22, given the nature of long duration contracts, the timing of cash flows and changes in the discount rates applied to the margin could not only impact the amortization pattern of the margin / deficiency at inception, but could change the margin / deficiency in total. Had a day one mechanical loss been recorded on a portfolio of contracts and subsequent cash flows incurred resulted in a new profit for the contracts, the proposed guidance would not allow the true profitability on the block to be presented fairly over the duration of the portfolio of contracts. In addition, the margin calculation is purely based upon underwriting results and therefore may calculate a mechanical loss upon inception of a portfolio of contracts. Life insurance products include not only underwriting profits or losses within the pricing models, but investment margins therefore any potential losses on insurance risk are typically expected to be offset by investment margin. Exclusion of investment margins from the margin calculation would create more of a mechanical expected loss upon inception rather that a true expected loss for a portfolio of contracts. A loss recognition test at each financial reporting period could be used to assess any true losses expected for a portfolio of contracts and if such a loss occurred would be recorded in that period.

Questions for Preparers and Auditors - Margin for Contracts Measured Using the Building Block Approach

Question 25: Do you agree with the proposed method(s) of recognizing the margin (that is, as the entity is released from risk under the insurance contracts as evidenced by a reduction in the variability of cash outflows)? If not, what do you suggest and why?

Yes we agree with the Proposed Update of recognizing the margin as the entity is released from risk. This allows for flexibility to tailor the pattern of release of risk to the specific portfolio of contract, given product features, to give a representative presentation of expected profit over the life of the portfolio.

Question 26: Do you agree that interest should be accreted on the margin and therefore affect insurance contract revenue? If not, why?

Yes we agree interest should be accreted on the margin and therefore affect insurance contract revenue however consideration should be given to the ability to unlock the margin as a result of changes in expected future profits resulting from changes in timing of cash flow.

Question 27: Do you agree that if the expected cash outflows (including qualifying acquisition costs) of a portfolio of insurance contracts will exceed the expected cash inflows, an entity should recognize the remaining margin immediately in net income? Why or why not?

No we do not agree that if the expected cash outflows, including qualifying acquisition costs, of a portfolio of insurance contracts will exceed the expected cash inflows that an entity should recognize the remaining margin immediately in net income. As discussed in the response to Q24, given the nature of long duration contracts, the timing of cash flows applied to the margin could not only impact the amortization pattern of the margin / deficiency at inception, but could change the margin / deficiency in total over the life of the portfolio of contracts. Changes in the ultimate amount of profit expected to be earned over the life of the portfolio of contracts should be allowed to be unlocked as a result of changes in the expected timing of future cash flows and a loss recognition test at each financial reporting period could be used to assess any true losses, inclusive of consideration of investment margins, expected for a portfolio of contracts and if such a loss occurred would be recorded in that period.

Questions for Preparers and Auditors - Acquisition Costs

Question 28: Do you agree that the direct acquisition costs presented with the margin should include only the costs directly related to the entity's selling efforts that result in obtaining the contracts in the portfolio and that all other acquisition costs should be recognized as expenses when incurred? If not, what do you recommend and why?

No we do not believe direct acquisition costs presented with the margin should only include the costs directly related to the entity's selling efforts. While unsuccessful acquisition costs cannot be specifically linked to a specific portfolio of contracts, they are however included in the pricing of successful contracts. Therefore, excluding unsuccessful costs creates an accounting mismatch between revenue and expenses over the life of the portfolio of contracts.

Question 29: Do you agree that the measurement of the margin for contracts measured using the building block approach and the liability for remaining coverage for contracts measured using the premium allocation approach should be reduced for direct acquisition costs incurred? If not, what do you recommend?

No we do not agree that the measurement of the margin for contracts measured using the building block approach should be reduced for direct acquisition costs incurred. Direct acquisition costs are a key component to meeting the obligation under a portfolio of insurance contracts and therefore should be included within fulfillment cash flows. Including direct acquisition costs within the margin creates accounting mismatches as the changes to cash flows for related policies are recognized immediately into income while the related direct acquisition costs continue to be amortized over the "locked in" release of risk period.

Question 30: Do you agree that an entity should recognize acquisition costs as an expense in net income in the same pattern that it recognizes the margin for contracts measured using the building block approach or in the same pattern that it reduces the liability for remaining coverage under the premium allocation approach? If not, why not?

No we do not agree that an entity should recognize acquisition costs as an expense in net income in the same pattern that it recognizes the margin for contracts measured using the building blocks approach. We believe acquisition costs should be included within fulfillment cash flows with changes included within net income as actual versus expected variances occur.

Questions for All Respondents - Insurance Contract Revenue

Question 31: Do you agree that users of financial statements would obtain relevant information that faithfully represents the entity's financial position and performance if, in net income, for all insurance contracts, an entity presents insurance contract revenue and incurred expenses, rather than only information about changes in margins (that is, the net profit)? If not, why not?

Within the insurance contract revenue presentation proposed, we believe the users of the financial statements will obtain relevant information regarding expected versus actual results for a period of time. However, there will no longer be a clear connection to the size, scale and growth of a portfolio of contracts as financial statement reporting is today such as premium income under a FAS-60 accounting view. The financial statements will now introduce actuarial assumptions into the revenue calculation through the estimate of expected future cash flows as well as the amortization of the margin. This may reduce the benefits expected to be gained by the new financial statement presentation.

Question 32: Do you agree that, for all contracts, revenue should exclude any amounts received that an entity is obligated to pay to policyholders or their beneficiaries regardless of whether an insured event occurs and that expenses should exclude the corresponding repayment of those amounts? If not, what do you recommend? Please specify whether your view depends on the type of contract.

No, we do not agree that revenue should exclude any amounts received that an entity is obligated to pay to policyholders regardless of whether an insured event occurs. Life insurance products often provide either voluntarily or required cash values (as required by state regulations) and these are integral benefits to insurance contracts. Industry measurement of premium commonly includes both premium necessary to pay future death benefits, policy expenses and returnable amounts in a current and future accounting period. We believe a revenue measure which reflects the entire premium received is beneficial to the reader of the financial statements and provides meaningful information about size, scale and growth of a life insurance carrier and in aggregate the insurance market. This treatment would also necessitate the need to include as an expense a change in reserve for future returnable amounts. We recommend that the amount at risk to be returned to the policyholder at any point in time be included in a disclosure as this is an important measure for the reader to maximum liquidity risk. This treatment would be more consistent with current FAS-60 treatment of insurance contracts and we believe life insurance contract accounting should take a FAS-60 accounting view rather than a FAS-97 universal life-type accounting view. We believe the presentation of revenue as defined in the ED will introduce actuarial assumptions into the revenue calculation through the estimate of expected future cash flows as well as the amortization of the margin. We believe this is better reflected in expenses rather than in revenue and may reduce the benefits expected to be gained by the new financial statement presentation.

Questions for Preparers and Auditors - Insurance Contract Revenue

Question 34: For contracts measured using the building block approach, does this proposed Update contain sufficient guidance on how to determine insurance contract revenue in accordance with the principle that it should be allocated between reporting periods as performance obligations are satisfied over time (that is, to allocate consideration between periods by reference to the relative value of the services provided in each period)? If not, explain what additional guidance is necessary.

We believe the proposed Update contains sufficient guidance on how to determine insurance contract revenue in accordance with the principle that it should be allocated between reporting periods as performance obligations are satisfied over time. However, as noted in the preliminary field testing results, consideration should be given to whether the benefits of the earned premium model outweigh the costs.

Questions for Preparers and Auditors- Participating Contracts

Question 35: Do you agree that participation features that are contractually dependent on the performance of other assets or liabilities of the insurer or the performance of the entity itself should be measured on the same basis used to measure the underlying items and changes in the measurement should be presented in the same statements (that is, net income or other comprehensive income)? Do you agree that this approach should be limited to only participating features for which the amount of the performance of the underlying items passed through to policyholders is contractually determined and not extended to participating features that allow an entity discretion about the amount of the performance of the underlying item to pass through to the policyholders? If not, what do you recommend and why?

While we understand the proposed Update is expected to be consistent with existing accounting guidance, we believe additional analysis is required to determine the impact to current procedures and the operational ability of the Company to adopt the proposed Update.

Questions for All Respondents - Reinsurance

Question 36: Do you agree that a cedant should record a margin if the expected present value of the cedant's future cash inflows exceed the expected present value of the cedant's future cash outflows (thus prohibiting the recognition of a gain at inception upon entering into a reinsurance arrangement) for (a) retrospective reinsurance contracts accounted for using either the building block approach or the premium allocation approach and (b) prospective reinsurance contracts accounted for using the building block approach? If not, what do you recommend and why?

Yes we agree that a cedant should record a margin upon inception of a contract as reinsurance should be accounted for in a consistent manner with the direct business.

Questions for Preparers and Auditors - Reinsurance

Question 37: Do you agree that a cedant should estimate the fulfillment cash flows (including the ceded premium) for a reinsurance contract using assumptions consistent with those used to measure the corresponding fulfillment cash flows for the underlying insurance contract or contracts, without reference to the margin on the underlying contracts? If not, what would you recommend and why?

We agree that a cedant should estimate the fulfillment cash flows for a reinsurance contract using assumptions consistent with those used to measure the corresponding fulfillment cash flows for the underlying insurance contracts, without reference to the margin. Estimated profit of a reinsurance treaty, while related to and based upon the underlying contracts, should be calculated based upon the specific facts and circumstances of the individual reinsurance treaty which may create a unique profit amount that should be deferred and amortized as the underlying contracts are released from risk.

Questions for Preparers and Auditors - Contract Modifications

Question 39: Do you agree that for a substantial modification (a) an entity should recognize a gain or loss as the difference between the measurement of the modified contract using the current entity-specific price that the entity would hypothetically charge the policyholder for a contract equivalent to the new contract and the carrying amount of the existing contract and (b) that the carrying amount of the existing contract should be derecognized? If not, what do you recommend?

Yes we agree with the guidance within the proposed update for Contract Modifications.

Questions for All Respondents - Presentation

Question 40: Do you agree with the presentation requirements included in this proposed Update? If not, what would you recommend and why?

No we do not agree with the presentation requirement included within this proposed Update. The Statement of Financial Position eliminated the presentation of deferred acquisition costs as a separate financial statement line item, however the proposed Update requires the Statement of Comprehensive Income to report the amount of qualifying acquisition cost expensed during the period separate from the margin amortization. We do not believe the separation of this specific financial statement line item is particularly meaningful as acquisition costs are included in the margin along with other expected profits. In addition, as mentioned in the response to Question 31, while the user of the financial statements will obtain relevant information regarding expected versus actual results, there will no longer be a clear connection to the size, scale and growth of a portfolio of contracts as there is in today's financial reporting.

Questions for All Respondents - Disclosure

Question 41: Do you agree with the disclosure requirements included in this proposed Update? If not, which disclosure requirement(s) would you change and why? Are there any additional disclosures that would provide decision-useful information and why? Do you think that any of the disclosure requirements included in this proposed Update would not provide decision-useful information and should not be required? If so, which ones and why?

We are supportive of the transparency initiative by the FASB and are committed to improving our disclosures however we are concerned the disclosure requirements within the proposed Update would be extremely burdensome, resource intensive, and may not be possible to complete under current required reporting timelines. We strongly encourage the Board to utilize field testing specific to the disclosure requirements (and provide sample exhibits) to provide insight into the capability to perform, calculate, and present the required disclosures in the mandatory financial reporting timeframes as this was noted as a concern within the field testing performed to date.

Questions for Preparers and Auditors - Effective Date and Transition

Question 42: The Board will establish the effective date of the requirements when it issues the final amendments. However, the Board is interested in determining the key drivers affecting the timing of implementation. What are those key drivers? How do those drivers affect the time it will take to implement this proposed guidance?

Key drivers impacting the timing of implementation are Systems and Processes as well as broader Business drivers. Accounting and actuarial systems will be need to be evaluated and updated to ensure the new accounting and reporting requirements can be achieved and operationalized and any necessary modifications to necessary data are contemplated. In addition, the product profile will need to be reviewed and consideration given to product design and pricing as well as consideration of impacts to investment allocations. Consideration of the field testing results, as well as impact of any simplifying assumptions made, will provide a greater understanding of the impact of the organization as whole and allow users to better respond to the timing necessary to implement.

Question 44: Do you agree that the practical expedients relating to transition included in this proposed guidance are sufficient for retrospective application (that is, are the transition provisions in this proposed guidance operable)? If not, what would you recommend and why?

While we agree that the practical expedients relating to transition included in this proposed guidance are sufficient for retrospective application, the proposed Update does not allow for the unlocking of the margin. Therefore estimates made as of the transition date regarding gains or losses for a portfolio of contracts may not be appropriate and therefore would misstate the margin for certain portfolios of contracts upon transition. We suggest a prospective approach for transition, where the expected deferred profit as of the transition date would be calculated and recorded as of transition.