



Michael Monahan
Senior Director, Accounting Policy

December 8, 2015

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

Re: Proposed Amendments to Statement of Financial Accounting Concepts, *Conceptual Framework for Financial Reporting, Chapter 3: Qualitative Characteristics of Useful Information*, File Reference No. 2015-300 (“the Proposed Amendment”)

Dear Ms. Cospers:

The American Council of Life Insurers (ACLI)¹ welcomes the opportunity to comment on this important matter. While ACLI fully supports the Financial Accounting Standards Board’s (Board’s) Conceptual Framework project, we have some concerns with the guidance in the Proposed Amendment.

Our primary concern is the implication a change in definition of materiality could have on the current materiality assessment process at most companies. Moving materiality to a legal concept could potentially cause a significant increase in the amount of effort and documentation needed for preparers to justify all disclosures currently omitted due to materiality, or planned to be omitted based on the guidance elsewhere in the Proposed Update. This could also have unintended consequences with respect to financial statement presentation, as the Proposed Amendment applies to financial statements as well as footnote disclosures. It is also uncertain whether auditors will require additional documentation or legal representations in light of this proposed change. ACLI does not have a concern with the current definition of materiality, and believes the legal concept seems focused on investors, versus other key stakeholders.

¹ The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with 284 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.

In summary, given the uncertainty around the amount of effort that would be needed for companies to evaluate materiality under this new definition (both initially and on an on-going basis) we are not convinced the benefits of changing the definition exceed the potential costs. Before reaching a decision to finalize the Proposed Amendment, we recommend that the Board reach out to the legal and audit communities to better understand the consequences of the proposed shift in materiality to a legal concept.

We welcome the Board's feedback on our recommendations and look forward to forthcoming deliberations on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Monahan", with a stylized flourish at the end.

Michael Monahan
Senior Director, Accounting Policy