Mike Monahan
Senior Director, Accounting Policy

August 30, 2017

Mr. Russ Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2017-240, Proposed Accounting Standards Update: Consolidation (Topic 810) – Targeted Improvements to Related Party Guidance for Variable Interest Entities

Dear Mr. Golden:

The American Council of Life Insurers ("ACLI" or "we")[1] appreciates the opportunity to comment on the proposed Accounting Standards Update -- Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities ("Proposed ASU"). We would like to share our general comments on the exposure.

ACLI agrees with the proposed amendment to modify how a decision maker would treat its indirect interests held through related parties that are under common control. We believe that considering such indirect interests on a proportionate basis when determining whether a decision-making fee is a variable interest better aligns with how indirect interests held through related parties that are under common control are considered for determining whether a reporting entity is the primary beneficiary of a variable interest entity (VIE).

We also agree with the elimination of forced consolidation in scenarios where there is shared power among related parties, or where the related parties under common control have the characteristics of a controlling financial interest but no reporting entity individually has a controlling financial interest. Additionally, ACLI agrees with requiring the parent entity to consolidate the VIE when related parties under common control, as a group, have a controlling financial interest in the VIE, regardless of whether any of its subsidiaries consolidates the VIE, as this is consistent with current practice. Overall, the combined changes including the elimination of forced consolidation and considering indirect interests for related parties under common control on a proportionate basis should produce more appropriate results when evaluating an entity for consolidation.

[1] The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with approximately 290 member companies operating in the United States and abroad. ACLI advocates in state, federal, 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 95 percent of industry assets, 93 percent of life insurance premiums, and 98 percent of annuity considerations in the United States. Learn more at www.acli.com.

American Council of Life Insurers
101 Constitution Avenue, NW, Washington, DC 20001-2133
(202) 624-2324 mikemonahan@acli.com
www.acli.com

ACLI believes an objective of the proposed ASU was to respond to stakeholders' concerns regarding the complexity and diversity in practice of applying the related party guidance to common control arrangements. We note that the four qualitative factors an entity would consider when determining whether the decision-making authority within the related party group should be attributed to itself are akin to the four factors under the existing guidance for determining which related party is most closely associated with the entity and thus must consolidate it. These proposed qualitative factors continue to be subjective in nature and will require significant use of judgment. Therefore, we believe the factors proposed may not meet the objective of reducing complexity and may continue to result in diversity in practice.

We also note the proposed guidance includes many changes to the flowchart used to evaluate whether a reporting entity should consolidate another legal entity. This includes changing the order of some of the steps in the assessment. Although there may be added costs to analyze and implement the changes, we do not believe the proposed updates to the flowchart will have negative implications. However, we are not certain if there will be unintended consequences going forward.

ACLI agrees with the proposed transition requirements and disclosures in paragraph 810-10-65-9. Due to the requirement for some companies to apply the guidance retrospectively, we believe that at least one year should be allowed to implement the changes.

The American Council of Life Insurers appreciates the opportunity to express our views. Should you have any questions regarding our comments, please do not hesitate to contact me (MikeMonahan@acli.com).

Sincerely,

MMonahan

Mike Monahan
Senior Director, Accounting Policy

cc: Susan Cosper, Technical Director, FASB