May 2, 2025

Jackson M. Day
Technical Director
Financial Accounting Standards Board

Alex Casas
Financial Accounting Standards Board

Tiffany Wyszkowski
Financial Accounting Standards Board

Re: Agenda Request -– Funds Withheld and Modified Coinsurance

Dear Mr. Day,

On behalf of the Life GAAP Reporting Committee of the American Academy of Actuaries,[1] I appreciate the opportunity to provide the following comments.

We are requesting that FASB update its guidance on modified coinsurance and funds withheld coinsurance. While these types of contracts issued in the United States typically contain provisions that meet the technical definition of an embedded derivative, they are unique in that the embedded derivative provisions are the result of requirements of U.S. insurance regulations, which would not impact any other industry or type of contract. Because these provisions are included to meet regulatory requirements, rather than to achieve any particular economic result, and because embedded derivative accounting often generates accounting mismatches that distort the financial results and confuse investors, we are requesting that FASB make the changes described below.

The Issue

815-15-55-107 through 55-109 address the accounting for a modified coinsurance arrangement whereby the ceding entity holds the assets backing the ceded liabilities and the ceding entity must “provide future payment of a principal amount plus a return (that may be negative) that is based on a specified proportion of the ceding entity's return on either its general account assets or a specified block of those assets (such as a specific portfolio of its investment securities)” to the assuming entity.

815-15-55-108 states that the payment of principal plus a return on the funds withheld or modified coinsurance assets to the assuming entity is an embedded derivative that meets the criterion of 815-15-25-1(a), that “the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract.”

[1] The American Academy of Actuaries is a 20,000+-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

815-15-55-109 states that because “the other criteria in paragraph 815-15-25-1 generally would be met,” the embedded derivative generally must be “bifurcated and accounted for separately.” As an embedded derivative, the separate accounting is fair value with all changes in fair value reported in net income.

Modified coinsurance and coinsurance with funds withheld are common types of reinsurance used in the U.S., with some large insurance entities having funds withheld payables or receivables of close to $20 billion or more. A modified coinsurance or funds withheld provision in a reinsurance contract typically provides for the return on a specified block of assets to be paid by the ceding company to the reinsurer. This passthrough provision occurs because of specific requirements under insurance regulations in the U.S..

We agree that the payment of returns on modified coinsurance or funds withheld assets from the ceding entity to the assuming entity meets the criteria for an embedded derivative that normally must be bifurcated and accounted for separately at fair value with all changes in fair value reported in net income. And we agree that this feature should be accounted for separately from the host contract. However, accounting for the feature at fair value with all changes in fair value reported in net income often creates accounting mismatches that distort the financial statements of both the ceding and assuming entity. Both investors and preparers object to the resulting accounting mismatches, and ceding and assuming entities typically use non-GAAP measures to adjust for the resulting mismatches. In addition, the IRS uses U.S.GAAP income to determine corporate alternative minimum taxes. Under Notice 2023-20, the IRS requires an adjustment to exclude the unrealized gain or loss on withheld assets from the alternative minimum tax calculation, indicating that they do not believe that recording these gains and losses through net income is faithfully representative of the economics. This Notice also indicates that the IRS recognizes that the accounting mismatch resulting from including the changes in fair value of funds withheld assets in net income does not provide useful accounting information.

The volatility resulting from this accounting also is contrary to FASB’s objective in ASU 2018-12 of providing users with the “ability to analyze an insurance entity’s economic exposure, such as duration mismatches.” Because this feature is the result of specific requirements under insurance regulations in the U.S., an appropriate exception can be made to address these accounting mismatches when compelled under insurance regulation without impacting similar features that are entered into voluntarily (including if insurance entities enter such an arrangement voluntarily).

The accounting mismatches resulting from this feature are as follows: The ceding entity holds underlying assets, and these assets may be accounted for at fair value with all changes in fair value reported in net income (FV-NI) at fair value with unrealized holding gains and losses reported in other comprehensive income (FV-OCI) or at amortized cost (AC). Most fixed income assets held by insurance entities and that back modified coinsurance or funds withheld features are available-for-sale securities that are held at FV-OCI, and originated loans at AC can also be used. The ceding entity is simply passing the returns from these assets to the assuming entity, so from the perspective of the ceding entity, the net effect of the returns on the assets backing the modified coinsurance or funds withheld features is zero. But treating the modified coinsurance or funds withheld feature as an embedded derivative at fair value with all changes in fair value reported in net income causes non-zero impacts to net income, and sometimes to the balance sheet. To the extent that the assets backing the modified coinsurance or funds withheld feature are held at FV-OCI, there is no accounting mismatch on the balance sheet. But since the change in fair value of the underlying assets is reported through net income on the funds withheld feature, but the change in fair value on the assets themselves is reported through OCI, there is a non-zero impact to net income. And to the extent that the assets backing the modified coinsurance or funds withheld feature are held at AC, there is a non-zero impact to both net income and the balance sheet. The table below assumes that the embedded derivative is being valued as a total return swap with a floating leg, which is the most common approach used by ceding companies. Other methods would produce additional mismatches:

Asset Reporting Basis	Mismatch from Embedded Derivative Accounting
FV-NI	No mismatch
FV-OCI	No mismatch on balance sheet, but mismatches between net income and OCI
AC	Mismatch on balance sheet and in net income

Under some circumstances the ceding entity's accounting mismatch can be addressed. If the reinsurance agreement is entered simultaneously with the purchase of the assets backing the modified coinsurance or funds withheld feature, the assets could be classified as trading securities, or fair value option can be applied. But this approach has several shortcomings:

1. Usually, the assets backing the modified coinsurance or funds withheld feature are not acquired simultaneously with entering the reinsurance agreement. Rather, they are assets the ceding company already owns at the time the reinsurance agreement is initiated. Thus, this option may not be available.
2. The assets backing the modified coinsurance or funds withheld feature may also back other liabilities which are not subject to the embedded derivative and for which FV-OCI or AC may reflect a more appropriate match between the asset and liability accounting.
3. The securities backing the modified coinsurance or funds withheld feature may not be "acquired with the intent of selling it within hours or days" as is suggested for designation as a trading security.
4. Use of fair value option is irrevocable, and thus would apply to the asset even after the reinsurance agreement terminates.

The assuming entity also encounters accounting mismatches as a result of the current required accounting. If the assumed liabilities are traditional or limited-payment contracts, then the liability for future policy benefits is updated for current discount rates, but the impact of updating discount rates is reported through OCI. So, accounting for the modified coinsurance or funds withheld feature at fair value with all changes in fair value reported in net income creates an accounting mismatch with the liabilities that would be alleviated if the feature was accounted for at fair value with unrealized holding gains and losses on the underlying assets reported at OCI.

If the assumed liabilities are policyholder account balances, then the liability is not remeasured for changes in current interest rates at all. So, accounting for the modified coinsurance or funds withheld feature at fair value with all changes in fair value reported in net income creates an accounting mismatch in net income due to remeasuring the modified coinsurance or funds withheld feature but not the liability for changes in interest rates. Had the reinsurer held available-for-sale assets itself to back the assumed liabilities, there would still be a balance sheet mismatch, but not a net income mismatch. This net income mismatch could be alleviated by reporting the change in fair value of available-for-sale modified coinsurance or funds withheld assets held by the ceding company in OCI by the reinsurer.

It is important to recognize that ceding entities in the U.S. do not pass through the returns on the assets backing the modified coinsurance or funds withheld feature to the assuming entity for the purpose of achieving some sort of economic result. This is done to satisfy a regulatory requirement in the U.S., in order to meet the requirements of statutory risk transfer. In other jurisdictions this requirement does not exist, and in such jurisdictions the return that the ceding entity provides to the assuming entity on the modified coinsurance or funds withheld amount is almost always a fixed or floating rate determined in the reinsurance contract, based on the credit standing of the ceding entity.

For example, under International Financial Reporting Standanrds (IFRS) the need to bifurcate an embedded derivative for a modified coinsurance or funds withheld feature is generally rare and typically only arises related to U.S. transactions, because the regulatory regimes in countries outside of the U.S.(at least the ones we are aware of) do not require the ceding entity to pass the actual return on the assets backing the modified coinsurance or funds withheld feature to the assuming entity in order to pass statutory risk transfer.

Reasons for using modified coinsurance or funds withheld

Under a straight coinsurance treaty, the assuming entity receives a proportion of the premiums on the underlying direct contracts and pays that proportion of benefits. The assuming entity holds the invested assets backing the treaty and earns investment income on those assets. A modified coinsurance treaty or coinsurance treaty with funds withheld is intended to work the same way economically, except that the ceding entity retains the invested assets. This is not done to revise the economic performance relative to a straight coinsurance treaty. The modified coinsurance or funds withheld provision is used for reasons other than to change the economics of the treaty. Common reasons for using modified coinsurance or funds withheld are:

1. The invested assets underlying the direct contract are in a separate account and thus cannot be legally transferred to the assuming entity.

2. The invested assets retained by the ceding entity provide assurance that the assuming entity will pay its share of the benefits; effectively these assets act as a form of collateral.

Because the modified coinsurance or funds withheld treaty behaves economically identically to a straight coinsurance treaty, the accounting treatment should also reflect an identical result. But bifurcating an embedded derivative for the modified coinsurance or funds withheld creates a different accounting result than for a straight coinsurance treaty.

Reinsurance is a critical risk management tool for the insurance industry. Modified coinsurance and funds withheld structures are needed in many reinsurance treaties, either because the assets cannot be transferred or to provide the ceding entity with collateral. But rather than reflecting the risk mitigation resulting from the use of reinsurance, because insurance regulation in the US requires a pass through of the investment income on the modified coinsurance or funds withheld assets, insurers are forced to show significant non-economic volatility in net income and other comprehensive income. This creates a problem for insurers that want to use reinsurance as a management tool.

Proposed solution

In situations where the insurance regulation requires the return on assets to be passed from the ceding entity to the assuming entity, we propose eliminating the accounting mismatches resulting from treating the investment return passthrough as an embedded derivative. We propose to do this by treating the investment passthrough feature exactly like the underlying assets on the direct writers' books. To do so, when this situation arises the ceding entity and assuming entity should be permitted a one-time irrevocable election upon entering into a modified coinsurance or funds withheld reinsurance agreement to account for the modified coinsurance or funds withheld reinsurance consistently with the accounting for the assets themselves. That is:

- The initial value of the provision to pay the actual return on the assets backing the modified coinsurance or funds withheld feature is zero.

- To the extent that the assets backing the modified coinsurance or funds withheld feature are at FV-NI, the change in the value of the modified coinsurance or funds withheld feature equals the change in fair value of the FV-NI assets, with all changes in fair value reported in net income, unless the settlement reflects includes the change in fair value of the assets or unless the receivable/payable includes the change in fair value of the assets.

- To the extent that the assets backing the modified coinsurance or funds withheld feature are at FV-OCI, the change in the value of the modified coinsurance or funds withheld feature equals the change in fair value of the FV-OCI assets, which is reported in OCI.

Under this proposed solution, there would be no impact to the value of the provision to pay the actual return on the assets backing the modified coinsurance or funds withheld feature related to assets reported at AC. In the case of amortized cost assets, the change in amortized cost would already be reflected in the modified coinsurance or funds withheld receivable or payable, and any change in fair value beyond that would generate an accounting mismatch. In the case of FV-OCI assets, any change to the AC of the assets, e.g., interest accretion, would be reflected in the modified coinsurance or funds withheld receivable or payable, and the change in fair value beyond that would be reported in OCI.

There would be no change to the current accounting for other aspects of the reinsurance agreement. The reinsurance recoverable/payable would be the same as under current GAAP accounting, and there would still be a receivable/payable amount for the modified coinsurance or funds withheld assets being held by the ceding entity on behalf of the assuming entity.

This option would only be applicable to modified coinsurance or funds withheld features for which insurance regulations require that the returns on the underlying assets be passed through to the assuming entity. If the ceding and assuming entities enter such an arrangement voluntarily, without being compelled by insurance regulation, it would be assumed that they did so to achieve an economic result. In that case this option would not be available, and the entities would be required to account for the feature as an embedded derivative at fair value with all changes in fair value reported in net income.

Need for an option

Although in almost all cases our proposed approach would eliminate or mitigate an accounting mismatch, there are circumstances under which our approach could create an accounting mismatch. As a result, our proposal should not be made mandatory under all circumstances where the ceding entity is required by regulation to pass through the return on the underlying assets to the assuming entity.

One example would be if there were an experience refund provision in the reinsurance treaty that would result in the investment income passed from the ceding company to the assuming company to be returned to the ceding company. Such an experience refund provision would generally contain an embedded derivative recorded at fair value with changes in fair value reported in net income, to the extent of the investment income being returned to the ceding entity. Since the investment income returned to the ceding entity is the same investment income passed through from the ceding entity to the assuming entity, treating the return on the modified coinsurance or funds withheld feature as other than an embedded derivative would in this case create an accounting mismatch.

That said, we are open to whether using our proposed approach should be:

- required unless using it would create an accounting mismatch,
- an option that could be used only if it eliminates or mitigates an accounting mismatch (which it almost always would), or
- an unrestricted option (which would likely almost always be used unless doing so would create an accounting mismatch).

Another situation that may necessitate embedded derivative accounting would be if the assuming entity does not have access to the necessary information from the ceding entity. We expect that this situation would be very rare, since the assuming entity typically has access to information on the assets being held by the ceding entity on the assuming entity's behalf.

Although we are proposing to retain embedded derivative accounting as the default and our proposal as an option, we are also open to making our proposal the default and permitting embedded derivative accounting as an option (either unrestricted option or subject to the condition that it eliminates or mitigates an accounting mismatch or relates to unavailability of information). And while we think an option is important, if FASB is opposed to an option, we think that mandatory application of our proposed accounting when the criteria are met would be an improvement over current GAAP, since the situations where the option would be beneficial are relatively limited.

<u>Impairment of modified coinsurance/funds withheld receivable</u>

A possible objection to using our proposed accounting for the return on the modified coinsurance or funds withheld feature is that the return on the receivable is based on the assets underlying the receivable, rather than the credit standing of the ceding entity. As discussed above, we believe that this is appropriate, particularly when the passthrough return is mandated by regulation. But if FASB believes that there is a need to account for the credit standing of the ceding entity in such a transaction, a better approach would be to apply the Current Expected Credit Losses (CECL) model.

ASU 2016-13 already required that the CECL model be applied to reinsurance recoverables (e.g., 326-20-15-2) to address possible impairment of the receivable asset the ceding entity typically has from the assuming entity. A modified coinsurance or funds withheld feature in a reinsurance contract may create a receivable asset to the assuming entity—either an asset separate from the obligation to the ceding entity or, if right of offset exists, the entire reinsurance contract may be an asset to the assuming entity.

To the extent that a modified coinsurance or funds withheld feature creates a receivable asset to the assuming entity, it would make sense to account for that asset similarly to the reinsurance recoverable asset of the ceding entity. Applying the CECL model to the assuming entity's receivable asset would be far preferable in such cases than the embedded derivative accounting used under current GAAP.

Example

We provide a simplified example of the issue below. Here we have a 10-year limited-payment product with a single premium of $10,000 and expected benefits that increase over time from $300 in year 1 to $2,100 in year 10. We assume an initial upper-medium grade (low-credit-risk) fixed-income instrument yield of 5%. The initial liability for future policy benefits (FPB) is $8,647, with a deferred profit liability (DPL) of $1,353 resulting in no gain or loss at inception. At the end of year 1, if actual experience equals expected, the FPB will be $8,779, and the DPL will amortize to $1,245. The Macaulay duration of the FPB cash flows is 6.55 years and the modified duration is 6.24 years.

We assume we back this liability with two assets. We assume we invest $8,650, essentially the initial FPB amount, in an 8-year fixed-income bond classified as available-for-sale yielding 5.5%. And since the DPL is not interest sensitive, we assume we invest the remaining $1,350 in an originated 10-year mortgage loan at amortized cost, also yielding 5.5%. The bond has a Macaulay duration of 6.68 years and a modified duration of 6.33 years, so very close to the FPB (about 0.1 years longer). The mortgage loan has a Macaulay duration of 5.06 years and a modified duration of 4.80 years.

<u>10-year product with a single premium of $10,000:</u>

Year	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
Expected Benefits	300	500	700	900	1,100	1,300	1,500	1,700	1,900	2,100
FPB (BOY)	8,647	8,779	8,718	8,454	7,977	7,276	6,339	5,156	3,714	2,000
DPL (BOY)	1,353	1,245	1,133	1,014	889	759	621	477	326	167
Total Liab (BOY)	10,000	10,025	9,851	9,468	8.866	8,034	6,961	5,634	4.040	2,167

<u>Backing Assets:</u>

8-Year Fixed-Income Bond – Initial value: $8,650
10-Year Mortgage Loan – Initial value: $1,350
Yield: 5.5%

Now let us assume that during year 1 actual experience turned out exactly as expected, there were no changes to future assumptions, but all interest rates increased by 1%. In that case, the FPB as of the end of year 1 would be remeasured to $8,316, compared to $8,779 under the original discount rate. This would generate a positive impact to OCI of +$463. The DPL would not be impacted by the change in interest rates.

On the asset side, the bond would be remeasured through OCI to $8,176, a decrease of $474. The change in interest rates would not impact the reported value of the originated mortgage. So, the assets would generate a negative OCI impact of -$474. The net OCI impact would be a small decrease of -$11, representing the small duration mismatch between assets and liabilities (as well as the small difference in interest rates and between the FPB balance and the AFS security balance).

<u>Interest rates increase by 1% at the end of year 1:</u>

Value at Beginning of Year 2	Baseline Scenario	Interest Rates Up 1%	OCI Impact
FPB	8,779	8,316	463
8 Year Fixed Income Bond	8,650	8,176	(474)
Net OCI Impact			(11)

But what if this contract was reinsured under a 100% coinsurance arrangement using a modified coinsurance or funds withheld provision? Under current GAAP we are assuming that the embedded derivative in the modified coinsurance or funds withheld provision is considered a total return swap with a floating leg. This is a very common way to define the embedded derivative and probably the simplest approach. Alternative definitions of the embedded derivative (such as a total return swap with a fixed leg or a credit derivative) would change the specific numbers somewhat but the issue would remain the same.

The ceding entity would still report the OCI impact from the direct side of -$11. But on the ceded side it would show a loss of -$463 through OCI, representing the discount rate update to the ceded FPB. And for the embedded derivative it would report through net income a gain of $527, consistent with the change in fair value of both the bond and the originated mortgage. So even though the ceding entity has effectively eliminated the risk from the insurance contract[2] and has forgone the investment income on the assets backing that contract, it would show a net gain of $527 through net income and a net loss of -$474 in OCI. This does not provide useful information to investors.

The assuming entity is in precisely the position the ceding entity was in without the reinsurance. It has an FPB liability that has a slight duration mismatch with the invested assets backing it. But rather than show the -$11 loss in OCI, consistent with the small duration mismatch, it shows a loss in net income of -$527 from the embedded derivative and a gain in OCI of $463 from the remeasurement of the assumed FPB. Again, this does not provide useful information to investors.

<u>100% Coinsurance Arrangement</u>—<u>Current State:</u>

Ceding Entity	OCI Impact	Net Income Impact
Direct Impact	(11)	0
Ceded Impact	(463)	527
Net Impact	(474)	527

[2] One might argue that there is still a risk from the reinsurer non-performing. But that is best addressed though the CECL adjustment and would necessarily be very small due to the collateral inherent in the modified coinsurance or funds withheld provision, even if the reinsurer were poorly rated.

Assuming Entity	OCI Impact	Net Income Impact
Impact	463	(527)

Under our proposal, the ceding entity would not show an embedded derivative but would pass through the income from the invested assets to the assuming entity, including the change in OCI from remeasuring the bond. On the reinsurance, the ceding entity would show a gain in OCI of $474 from passing through the remeasurement of the bond, and a loss in OCI of -$463 from the remeasurement of the ceded FPB. This would exactly offset the loss in OCI on the direct side of -$474 from remeasuring the bond and the gain in OCI of $463 from remeasuring the direct FPB. The ceding entity would show $0 impact from remeasurement in both net income and OCI, consistent with the economic situation it is in[3] of having ceded the liability and forgone the investment income on the assets.

Under our proposal, the assuming entity would show a loss in OCI of -$474 from accounting for the remeasurement of the bond backing the modified coinsurance or funds withheld provision, and a gain in OCI of $463 from remeasuring the assumed FPB. This would generate no impact on net income and a -$11 loss in OCI, consistent with being in an equivalent position to the direct writer of the contract before any reinsurance.

<u>100% Coinsurance Arrangement</u>—<u>Proposed Approach:</u>

Ceding Entity	OCI Impact	Net Income Impact
Direct Impact	(11)	0
Ceded Impact	11	0
Net Impact	0	0

Assuming Entity	OCI Impact	Net Income Impact
Impact	(11)	0

<u>Possible wording</u>

To effect this change, a possible approach would be to add the underlined language to Topics 815, 944 and 220:

- 815-15-55-109: The other criteria in paragraph 815-15-25-1 generally would be met, thereby requiring that the embedded derivative be bifurcated and accounted for separately <u>at fair value with all changes in fair value reported in net income, unless the election in 815-15-55-109A is made</u>.
- 815-15-55-109A: <u>If the return is based on a specified proportion of the ceding entity's return on either its general account assets or a specified block of those assets in order to comply with insurance regulatory requirements, then the ceding entity and assuming entity shall be permitted to make a one-time irrevocable election to account for the provision as a Funds Withheld</u>

[3] Again, with the possible exception of a small risk of nonperformance by the assuming entity that could be accounted for via CECL.

Passthrough in accordance with paragraphs 944-40-30-xx and 944-40-35-xx through 944-40-35-yy.

- 944-40-30-xx: If a ceding or assuming entity elects to treat the provision to account for the return on a modified coinsurance or funds withheld arrangement as a Funds Withheld Passthrough in accordance with paragraph 815-15-55-109A, the value of the Funds Withheld Passthrough at inception of the reinsurance treaty shall be zero.
- 944-40-35-xx: If a ceding or assuming entity elects to treat the provision to account for the return on a modified coinsurance or funds withheld arrangement as a Funds Withheld Passthrough in accordance with paragraph 815-15-55-109A, the change in value of the Funds Withheld Passthrough in subsequent periods shall be as follows:
    a. To the extent that the underlying assets backing the modified coinsurance or funds withheld arrangement are held at fair value with all changes in fair value reported in net income, the change in the value of the Funds Withheld Passthrough shall be equal to the change in fair value of those assets, unless one of the exceptions in (a)(i) applies. This portion of the change in value of the Funds Withheld Passthrough shall be reported in net income.

        i. Changes in fair value are either (1) included in the reinsurance settlement or (2) reflected in the modified coinsurance or funds withheld payable or receivable shall not impact the value of the Funds Withheld Passthrough.

    b. To the extent that the underlying assets backing the modified coinsurance or funds withheld arrangement are held at fair value with changes in unrealized holding gains or losses reported in other comprehensive income, the change in the value of the Funds Withheld Passthrough shall be equal to the change in fair value of those assets. This portion of the change in value of the Funds Withheld Passthrough shall be reported in other comprehensive income to the extent it represents the change in unrealized holding gains or losses on the underlying assets, with the remainder of the change in fair value reported in net income.

    c. There is no change to the value of the Funds Withheld Passthrough related to underlying assets held at amortized cost.
- 944-40-35-yy: Upon termination of a reinsurance treaty involving modified coinsurance or funds withheld, or an amendment which terminates the modified coinsurance or funds withheld provision, any amount remaining in accumulated other comprehensive income related to the Funds Withheld Passthrough shall be reported in net income.
- 220-10-45-10A: Items of other comprehensive income include the following:
    o. Changes in value of Funds Withheld Passthroughs resulting from unrealized holding gains or losses relating to assets held by the ceding entity at fair value with changes in unrealized holding gains or losses reported in other comprehensive income.

Transition

We do not expect the transition to our proposed approach to be particularly difficult. Ceding entities would have access to all the necessary information about the assets they are holding so the only transition issues would be to add the necessary accounts to the ledger and a process to gather and report the information in a controlled manner. Assuming entities would need to receive information from ceding entities, but our understanding is that assuming entities already are able to receive substantial information on the assets being held on their behalf at the ceding entity.

One task that may need to occur would be to amend any outstanding treaties to ensure that the assuming entity has the right to access the necessary information. This could take time because many companies have many reinsurance treaties outstanding, but we do not expect these types of amendments to be problematic.

*****

If you have any questions or would like to discuss further, please contact Amanda Barry-Moilanen, the Academy's policy project manager, life, at barrymoilanen@actuary.org.

Sincerely,

Leonard Reback, MAAA, FSA

Chairperson, Life GAAP Reporting Committee

American Academy of Actuaries