



CHESTER J. CULVER
GOVERNOR

OFFICE OF THE GOVERNOR

PATTY JUDGE
LT. GOVERNOR

December 17, 2008

Chairman Christopher Cox
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: File Number 4-573, Study of Mark-to-Market Accounting

Dear Chairman Cox:

The insurance industry is of great importance to our nation and critically important to the State of Iowa. For the first time in memory, a number of our Iowa-based life insurance companies which are a part of a publicly traded insurance holding company--including some of our strongest companies with both a national and international presence--are suffering from stock market price declines and are announcing employee lay-offs.

I believe that the Securities and Exchange Commission, as a result of its Study of Mark-to-Market Accounting, is uniquely positioned to offer substantial remedies to core problems that are affecting this industry that will neither impose any costs on U.S. taxpayers nor forego the important principle of accounting transparency.

More specifically, there is growing evidence that certain recently-implemented accounting rules within the jurisdiction of your commission have imposed undue burdens on publicly traded insurance holding companies and related businesses in a period of unprecedented market deterioration and volatility.

Unlike many industries that regularly trade securities on the market and hold onto investments for relatively short periods of time, the economic heart of a life insurance company resides in its long-term investments. The currently-dysfunctional stock marketplace causes prices for many securities to be unrealistically low relative to their long-term realizable values. Few holders of these types of securities are selling them at the prices indicated, except when under duress or forced circumstances, often due to liquidity needs.

Notwithstanding the unique long-term investment strategies that characterize the life insurance industry, companies who are required to report under recently-adopted, so-called "mark-to-market" accounting rules, are required to make their balance sheets to current market values for indicated "exit prices." As a result, invested assets on a

Generally Accepted Accounting Principles (GAAP) balance sheet are set forth at distressed liquidation values, whereas the liabilities are not valued in a comparable way.

It is conceded that the recent implementation of the mark-to-market rules were the result of well-intentioned efforts to address the scourge of corporate abuses of Enron, WorldCom and other entities that were generally not operating in the life insurance industry. Furthermore, it is understood that the Commission must balance the needs of investors to have transparent information about firms while also not permitting rules unfairly to affect firms that are holding longer-term financial instruments. However, for life insurers who are now subject to the new regulatory regime, the medicine intended to cure the ills of other industries is proving to be more harmful than the disease itself.

The impact of the mark-to-market rules is to assign inappropriate values to stockholder equity, book value and stock prices for publicly traded companies that focus on longer-term investments. This approach also disadvantages U.S. GAAP files when compared to International Financial Reporting Standards (IFRS) files, because the rules applied for IFRS provide for different, more reasonable values.

The fundamental objective of accounting rules should be to carry invested assets at any balance sheet data at a fair value that is reflective of their long-term realizable value. To accomplish this goal under current conditions some adjustment must be made to the mark-to-market rules.

This can be accomplished in a variety of ways. I note, with interest, that the American Council of Life Investors (ACLI), in a letter to you dated November 13, 2008, has set forth a series of recommendations whose purpose is to correct current practices and to establish a level playing field amongst American insurance companies and those operating in the international market place. ACLI's recommendations, ones concerning which I urge you to consider, include the following:

1. That FAS 115, *Accounting for Certain Investments in Debt and Equity Securities* (FAS 115), be revised by the Financial Accounting Standards Board (FASB) to be consistent with the revised guidance recently provided by the International Accounting Standards Board (IASB);
2. That the requirements to recognize Other Than Temporary Impairments (OTTI) with the current guidance and alignment of the same with the guidance provided by IASB now be revised; and
3. That FAS 157, *Fair Value Measurements*, as amended (FAS 157)

be revised so that it more adequately addresses the valuations of securities in disorderly or distressed markets even with the consideration of the recently-issued FASB Staff Position No. 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (FSP 157-3).

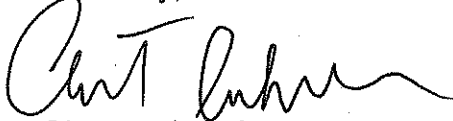
I ask you to adopt these, or comparable, recommendations and guidance in your report, due to Congress, on or before January 2, 2009.

Given the very reasonable concern that aspects of mark-to-market accounting may have contributed to recent disturbances in the credit and insurance markets, I am pleased that your Commission appears to be taking its instructions from Congress seriously and is closely examining the mark-to-market rule and the possibility of suspending or modifying it or directing others to do so.

Time is of the essence. The resulting further erosion of indicated fair market values in the market since FAS 157 accounting standards were implemented make it imperative that any changes to the mark-to-market rules occur in time to allow for year-end 2008 GAAP statements to be filed using different, more appropriate, methodologies.

For all of these reasons, I urge your immediate and effective attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Chester J. Culver", with a stylized flourish at the end.

Chester J. Culver
Governor of Iowa