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Good morning and thank you for allowing me to appear before the Advisory Council on Employee Welfare and Pension Benefit Plans. I am Michael Monahan, Director of Accounting Policy at the American Council of Life Insurers ("ACLI").

The American Council of Life Insurers represents more than 300 legal reserve life insurer and fraternal benefit society member companies operating in the United States with over 90% of the assets and premiums of the U.S. life insurance and annuity industry. ACLI member companies offer insurance contracts and investment products and services to qualified retirement plans, including both defined benefit pension and 401(k) arrangements, and to individuals through individual retirement arrangements (IRAs) or on a non-qualified basis. ACLI member companies also are employer sponsors of retirement plans for their own employees.

The ACLI fully supports the current limitation on the scope of an accountant's examination available under section 103(a)(3)(C) of ERISA. This limitation recognizes that the rules governing insurance carriers and the manner in which they are examined are sufficient to protect the interests of policy holders which include employee benefit plans and their participants and beneficiaries.

As a highly regulated industry, insurance companies undergo a thorough risk-focused examination by state insurance departments, usually every three years.

Insurance carriers engage independent auditors to examine their books and records every year.

We believe that the limited-scope audit continues to be an effective and efficient audit methodology for employee benefit plans. For insurance arrangements, the scope exception only applies to the plan's investment in an annuity or other insurance contracts issued by an insurance carrier.

As for the value of these investments reported on the statements prepared and certified by insurance carriers, these are reported at fair value.

While increasing the costs borne by both the plan sponsor and insurers, full scope audits of these investments would yield no new information for the plan sponsor. Thus, the cost of a full-scope audit would add unnecessary costs with no added benefit for plan participants. We are not aware of any participants being harmed by plans having a limited-scope audit.

In a limited-scope audit, the auditor is still going to assess the fair value of all the assets within the benefit plan, just as they would in a full-scope audit. Today, auditors perform procedures to adequately ascertain that certifications are proper and comply with regulations.

In general, the current US GAAP accounting guidance requires that employee benefit plan assets be accounted for at fair value. We continue to believe that this is the most objective valuation measure and do not believe any additional regulatory guidance is needed.

Thank you for allowing me to testify before the Advisory Council this morning.