



Financial Security...for Life.

**Michael Monahan**

Senior Director, Accounting Policy

November 24, 2015

Mr. Todd E. Hardiman  
Associate Chief Accountant  
Division of Corporation Finance  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Via e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

Reference: File Number S7-20-15, *Request for Comment on the Effectiveness of Financial Disclosures About Entities Other Than the Registrant*

Dear Mr. Hardiman:

The American Council of Life Insurers (“ACLI”)<sup>1</sup> supports the SEC’s “*Disclosure Effectiveness Initiative*” addressing the effectiveness of disclosures in Regulation S-K and S-X in response to the JOBS Act and we appreciate the opportunity to comment on the *Request for Comment on the Effectiveness of Financial Disclosures About Entities Other Than the Registrant*. Specifically our comments are directed at the aggregate disclosure requirements about entities other than the registrant, under S-X Rule 4-08(g) *Summarized financial information of subsidiaries not consolidated and 50 percent or less owned persons* which registrants disclose for their limited partnership and similar investments measured using the equity method of accounting.

ACLI believes these disclosures are not appropriate for limited partnership and similar investments that are accounted for using the equity method when the investor does not have significant influence over an investee. Public companies are required to utilize the equity method for many of these limited partnership type investments because “more than a minor interest” is held, in accordance with SEC guidance codified in Accounting Standards Codification (“ASC”) 323-30-S99-1. This SEC guidance “*requires the use of the equity method unless the investor’s interest is so minor that the limited partner may have virtually no influence over partnership operating and financial policies.*” We believe the use of the equity method of accounting for these partnership investments is an appropriate measure for passive investments in partnerships; however, the aggregate assets, liabilities and net income disclosures do not provide decision-useful or relevant information to financial statement readers, and

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<sup>1</sup> The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with more than 300 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](http://www.acli.com).

**American Council of Life Insurers**

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these disclosures are not required by general accepted accounting principles promulgated by the Financial Accounting Standards Board (“FASB guidance”). FASB guidance allows the use of the equity method but only requires these aggregate disclosures for equity investments where the investor has the ability to exercise significant influence over the investee, which is generally considered to be an investment in that investee of 20% or more. ACLI believes these aggregate disclosures for passive investments are confusing to investors as it relates to the minor amount of investment held by the investor, as well as the minor level of influence the investor has over the investee. In the absence of significant influence, these are passive investments similar to other equity investments and these disclosures are not required by FASB guidance. The disclosure requirements are costly to registrants because it can require compiling financial information from hundreds of limited partnership-type investments to conduct the test under Rule 1-02(w); and, if thresholds are reached in the aggregate, to disclose summarized asset, liability and net income information.

In summary, we believe the scope of Regulation S-X, Rule 4-08(g) *Summarized financial information of subsidiaries not consolidated and 50 percent or less owned persons* should be limited to those investments accounted for under the equity method where the investor has the ability to exercise significant influence over the investee, consistent with GAAP.

We welcome your feedback and questions on our submission.

Sincerely,

A handwritten signature in black ink, appearing to read "M Monahan", written in a cursive style.

Michael Monahan  
Senior Director, Accounting Policy