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GNAIE

Group of North American Insurance Enterprises
40 Exchange Place, Suite 1707
New York, NY 10005
UNITED STATES

February 8, 2008

Teresa S. Polley
Chief Operating Officer
Financial Accounting Foundation
401 Merritt 7
Norwalk, CT 06856-5116

Dear Ms. Polley:

Re: Request for Comments on Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB

The Group of North American Insurance Enterprises (“GNAIE”) appreciates the opportunity to comment on the “*Request for Comments on Proposed Changes to Oversight, Structure, and Operations of the FAF, FASB, and GASB*”. GNAIE consists of the Chief Financial Officers of 16 leading insurance companies including life insurers, property and casualty (“non-life”) insurers, and reinsurers. GNAIE members include companies that are among the largest global providers of life and non-life insurance and reinsurance products.

We appreciate that the Financial Accounting Foundation (“FAF”) takes seriously its responsibility for overseeing the Financial Accounting Standards Board (“FASB”) and the Governmental Accounting Standards Board (“GASB”). However, we believe that the proposals suggested, such as reducing the size of the FASB from seven to five Board members, and increasing the power of the FASB Chair, will not improve the FASB’s ability to sustain its role as a successful standard-setting body in the United States.

The movement to a service economy and the increasing sophistication and expansion of capital markets are presenting a profound and ever increasing challenge to today’s existing accounting paradigm and the standard-setting process. We believe that if the FASB is to meet this challenge and succeed, it needs to ensure that its standards are grounded in a complete and realistic understanding of financial and insurance markets, the specific features of financial and insurance products, and the economic consequences inuring to such products. We also believe that FASB instituted standards should result in a reasonably cost effective means of providing users with insight into a statement issuer’s financial results.

GNAIE believes that a seven member Board provides a more fulsome number of probable perspectives for adequate and appropriate discussion during a standards development and review process. Reduced membership would unduly limit the number of ideas and breadth of discussion during the deliberative process. Accordingly, we are not supportive of proposals that reduce the number of Board members.

We note that the FASB historically includes one member with an investor background, one academic, and five members with backgrounds as auditors or financial statement preparers. An alternative consideration would be to eliminate the background segmentation of the Board’s composition. Furthermore, rather than making the Board smaller, we believe the Board should be recast to include more preparers and users. For example, as a suggestion, a balanced composition

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of the FASB could comprise two public accountants, two preparers, two users and an academic. This would keep the Board at full strength and effective in discharging its responsibilities of setting high quality financial reporting standards.

The proposal to give the FASB Chair more power to set the Board's agenda is a departure from current open due process practice. Today, projects are added to, or in the rare case dropped from, the agenda via a full Board vote, open to members of the public. If the new proposal is accepted in its current form, the Chair would be given the sole authority to shape the Board's project plans, and ultimately the future direction of the FASB. Without expressing or implying any lack of confidence in the Chair, we are concerned that this may not be conducted in the open due process forums currently existing today, which could undermine the FASB's standard-setting due process. We believe this is an inappropriate direction for the FASB to pursue today because there is an enhanced recognition of the need for transparency and a democratic process as applied to important standard-setting functions such as accounting standards. Accordingly, we strongly believe that the FASB's technical agenda should be set by the Board and not only by the FASB Chair.

Indeed, recent commitments by many countries to use International Financial Reporting Standards ("IFRS") have opened a broad ranging debate on issues related to accounting standards convergence and globalisation. At a time of likely convergence with IFRS, we believe that there is a need for effective governance and a Board at full strength. It is not just differences in accounting that need to be considered in converging US GAAP with IFRS, but also differences in the legal, regulatory and tax environment that can impact the ultimate benefit to investors, issuers and the capital markets, versus the costs.

In summary, we are concerned that the proposals as currently drafted will compromise the quality and transparency of the FASB's open due process, and affect the ultimate success of the FASB's standard setting. In addition, we strongly suggest that the FAF defer making any changes or decisions until the SEC Advisory Committee on Improvements to Financial Reporting issues its report later this year. The standard-setting process is one of the topics they are addressing.

Should the FAF decide to reduce the size of the FASB despite our strongest opposition, we strongly encourage the FASB to continue to improve on its standard-setting due process by opening up more dialogue with preparers and users, and setting achievable agenda targets.

We thank you for the opportunity to share our comments with you on these important proposals and will make ourselves available to discuss our comments in more depth to the extent the Board would find that helpful.

Sincerely,

A handwritten signature in black ink that reads "Jerry de St. Paer". The signature is written in a cursive, flowing style.

Jerry de St. Paer
Senior Vice President, Finance, AIG
Executive Chairman, GNAIE

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