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July 31, 2007

Mr. Robert Herz, Chairman
Financial Accounting Standards Board
401 Merritt 7
P. O. Box 5116
Norwalk, Connecticut 06856-5116
UNITED STATES

Sir David Tweedie, Chairman
International Accounting Standards Board
30 Canon Street
London EC4 6XH
UNITED KINGDOM

Re: Financial Statement Presentation – Joint Project of the IASB and FASB

Dear Sirs:

The Group of North American Insurance Enterprises (“GNAIE”) would like to comment on the “Financial Statement Presentation” joint project (“FSP”) of the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB). We focus our comments on the decisions made by both the IASB and FASB on phases A and B of this joint project as it applies to insurance industry financial accounting and reporting.

GNAIE was formed in 2003 by the Chief Financial Officers of the leading North American insurance companies including life insurers, property and casualty insurers, and reinsurers. GNAIE members are the largest global providers of insurance and substantial multi-national corporations.

The goals of GNAIE are to work with accounting standards to ensure that they result in high quality, robust accounting standards for insurance companies, and, to that end, to increase communication between insurers doing business in North America and accounting standard setters. GNAIE works to meet its goals through modeling of proposed accounting standards, analysis, comment, and coordination with various end users of financial reports.

GNAIE

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The FSP proposes fundamental and pervasive changes to the overall presentation and disclosure of accounting information in the balance sheet, income statement, statement of cash flows and statement of changes in equity. GNAIE's preliminary comments are summarized below:

- **Inadequate representation of insurance industry professionals and users perspectives and input on the membership of the Financial Institutions Advisory Group on Financial Statement Presentation (FIAG):** North American insurance professionals have not been included in the FIAG. It is critical that the views of these professionals are represented on the FIAG in light of the interdependence between the FSP and IASB's Insurance Contracts Phase II project. The recently issued IASB Insurance Contracts Discussion Paper (ICDP) solicits comments on financial statement presentation of insurance information in questions 18, 19 and 20.
 - For example, question 20 of the ICDP states as follows, "*Should the income statement include all income and expense arising from changes in insurance liabilities?*"
 - Given the importance of insurance to the global financial services industry, we believe it is critical that North American insurers be represented on the FIAG to allow the group to become aware of unique financial statement presentation issues that are important to both preparers and users of insurance company financial statements.
- **Comparability, understandability and decision-usefulness:** The overall objective of the FSP is to improve the decision usefulness of financial statements by helping creditors, investors and other users assess the amount, timing and uncertainty of future cash flows. However, it appears the Boards decisions to date on the FSP that the financial statements will introduce additional categories, sub-total, totals and grand-totals that could make them less comparable, less understandable and less decision-useful to preparers and users.

For example, the Boards decided that "*Assets or liabilities that are measured differently would be presented in separate line items on the statement of financial position (that is, an entity would not be able to combine items with different measurement bases and present them in a single line item).*" While the FASB appropriately decided to not require financial institutions (including insurers) to present a classified balance sheet, the IASB decided that "*an entity should present short-term and long-term subcategories in a statement of financial position except when a presentation based on liquidity provides information that is reliable and is more relevant.*" Further, while the FASB decided to require the disclosure of a "*detailed maturity schedule for short-term contractual assets and liabilities*" based on an insurer's judgment, the IASB would only require this disclosure if the balance sheet is presented in order of liquidity.

The inconsistent decisions will make the comparability, understandability and decision-usefulness of insurer financial statements that are based on United States GAAP (U.S. GAAP), and International Financial Reporting Standards (IFRSs), without reconciliation, difficult for users. Given the goals of the FASB and IASB's accounting convergence project, and the recent proposal of the United States

Securities and Exchange Commission's (SEC) to allow foreign registrants in the U.S. to file their financial statements using IFRSs by 2009, it is important that FASB and IASB minimize inconsistent decisions on the same topical issues to what is absolutely necessary for preparers and users in same jurisdiction.

- **Any proposed standard must have thorough field testing by insurers in a manner similar to the methods used in the past when the Financial Statement Presentation project (a.k.a. Reporting Financial Performance) was previously considered.**
- **Robust guidelines and principles will be needed to lessen subjectivity and improve comparability:** The Boards decisions acknowledge that management will have to classify assets and liabilities into the categories of business (i.e., operating and investing) and financing with additional disclosures as to why the financial statement items were so classified. For example, on segment reporting, FASB decided that *“Segment disclosure requirements in Statement 131 would be replaced with a requirement to disclose operating and financing category information (at a minimum) for each reportable segment for each primary financial statement (that is, the statements of financial position, comprehensive income, and cash flows). Assets and liabilities that are managed by a reportable segment would be allocated to that segment and measured on a basis consistent with the amounts reported in the consolidated financial statements.”* To ensure comparability and minimize the subjectivity in the allocation processes, The Boards should provide clearer definitions and robust principles and guidelines on and examples of how these allocations should be carried out.
- The FSP project has natural linkages to the Extensible Business Reporting Language (XBRL) initiatives by the IASB, FASB and U.S. Securities and Exchange Commission. We recommend that FSP decisions be made with the XBRL project in mind, especially as it affects the development of taxonomies for financial reporting.
- At the IFRS Educational Session in Zurich on May 24th, IASB member Phillipe Danjou and IASB staff member Richard Barker, during a session on the current and future activity, noted that the staff of both Boards were working on a Financial Statements Presentations Discussion Paper (DP) based on the Boards decisions. They said it is anticipated that the DP will be ready by the end of 2007. However, they specifically stated that any potential observations or comments should not wait until the release of the DP. Rather, they encouraged interested parties to contact the Boards and staff with their comments and meet with the Boards and staff during this drafting period.

In summary, we believe that additional input from the insurance industry is necessary to make the FSP acceptable, and hope these comments will be of assistance to the Boards in upcoming discussions on the FSP. We would hope the Boards would reconsider their previous decision to not include representatives



from the North American insurance industry on the FIAG during the critical formative stages of the FSP project.

In any case, we would like to meet with the staff to discuss these issues and, as we continue our review of the documents, other issues that may present themselves.

Respectfully submitted,

A handwritten signature in black ink, reading "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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