



July 15, 2010

Sir David Tweedie, Chair
International Accounting Standards Board
30 Cannon Street
London, EC4M 6XH
United Kingdom

RE: Impending Release of Exposure Document for Insurance Contracts Standard.

Dear Sir David:

GNAIE and PCI remain committed to development of a high quality financial reporting standard for insurance contracts that will provide reliable and decision-useful information to users of financial statements. We commend the IASB and the FASB for the extensive efforts both Boards have made over the last several months to reach decisions that could lead to release of an Exposure Draft (ED) on insurance contracts during the current quarter. While the Boards have achieved significant progress in resolving or narrowing several of the differences in their tentative positions (while recognizing that several of those positions were by very narrow margins), we believe that much more work must be done to complete an ED that “sets out a specific proposal in the form of a proposed IFRS” (in the words of Paragraph 38 of the “Due Process Handbook for the IASB”).

Several of the tentative conclusions reached by one or both Boards are very different from current accounting and financial reporting practices. It is not clear if or how these positions will work together, and there is great potential for unexpected and unintended consequences. The IASB staff indicated that it intends to ask insurers to participate in field testing of key aspects of the proposed standard after an ED is released. While some clarification can be achieved through such field testing, the clarification would be limited by lack of a stated conclusion in the ED on several of the key proposals.

In addition to the critical issues on which the IASB and the FASB have reached different tentative conclusions (e.g., how reserve margins should be calculated), the FASB is considering whether explicit margins and discounting should not be required for certain liabilities (e.g., some non-life insurance claim liabilities) but has not yet reached a tentative conclusion on this very important subject. For these reasons, we don't believe the document is ready to be issued as an Exposure Draft.

We understand that the Boards have worked diligently to develop a comprehensive financial reporting standard for insurance contracts, and that the Boards are eager to issue such a standard by the middle of 2011. Nevertheless, we think it's more important to have a well tested, robust standard than to meet this particular deadline. Accordingly, we suggest that the current positions of one or both Boards could be the basis for a new Discussion Paper, to solicit comments, field tests, and additional analysis from interested parties. With such additional input from interested parties, the Boards would have a much stronger foundation for then completing an ED that would be far less likely to require subsequent re-exposure and/or re-deliberation. Furthermore, we would urge that the mandatory effective date for the eventual standard have sufficient time for testing and potential correction should problems be identified.



As further support for our suggestions, a global accounting firm recently published a commentary that, while fully supporting an aggressive standard setting timeline with the goal of attaining a single set of high quality global standards, questioned whether the recently proposed modified timeline is sufficient given the number of complex projects on the Boards' agendas. While the commentary did not specifically identify the Insurance Contracts project, we believe it is an excellent example of a complex proposal that requires more time for the Boards and staff to more thoroughly consider constituent input; analyze, evaluate, and consider alternatives; and further deliberate a number of significant unresolved issues to ensure the Boards have fully considered all important ramifications and unintended consequences before issuing an exposure draft.

If one or both Boards are not prepared to consider our suggestions, we believe that a comment period of at least 180 days should be provided for the exposure document(s) (whether the two Boards issue the same or different documents). Such a comment period should allow for more complete field testing and analysis, and identification of key questions that must still be answered to complete an effective standard. We are concerned that even with a longer comment period, there are great risks that additional exposure documents will be needed to complete a standard that will result in relevant, reliable, and decision-useful financial information about insurance contracts.

We would be very happy to discuss our thoughts on the current status and direction of the insurance contracts project with you or with other members of the IASB, and we would also be very interested in your thoughts and concerns on how to proceed with this important project.

Sincerely,

Jerry de St. Paer
Executive Chair
Group of North American Insurance Enterprises

Stephen W. Broadie
Vice President, Financial Policy
Property Casualty Insurers Association of America

cc: Mr. Robert H. Herz, Chairman, FASB
FASB Members/IASB Members
Mr. Hans van der Veen, Practice Fellow, IASB
Peter Prostaekes, Assistant Director, FASB