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Executive Director

June 25, 2008

Mr. Peter Clark  
Research Director  
International Accounting Standards Board  
30 Cannon Street  
London  
UNITED KINGDOM

**RE: Insurance Contracts Project**

Dear Peter,

Please find attached a Discussion Paper on Earned/Asset Based Discount Rate for Life Insurance Contracts.

**Summary:**

**Life insurance contract liabilities should be discounted using an earned discount rate as opposed to using a “risk free rate”. The use of an earned rate for discounting life insurance contracts is consistent with how market participants value and price such contracts, and is consistent with the principle of a “market rate” as currently articulated in the IASB proposals.**

This Discussion Paper has been developed by the GNAIE Accounting Convergence Committee in response to the “Discount Rate” issues raised by the IASB staff in its Insurance Working Group (IWG) papers from July 2004 and January 2006 and as further discussed at the April 1-2 meeting of the Insurance Working Group. In addition, IASB staff asked for any additional information on these topics that might be of assistance to them in progressing the issues.

At the suggestion of certain Board and Staff members of the IASB, this paper has only been provided to those IASB Board members working with the IWG as well as to members of the IWG. Please feel free to circulate these to any others you feel may benefit from the discussion. They will also be posted on the GNAIE Website, along with any other contributions of documents or ideas.

The discussions contained in this paper relate to life insurance only and should not be viewed as appropriate for non-life insurance contracts. Considerations for discounting non-life insurance contracts and the applicable discount rate are outlined in a separate paper.

**GNAIE**

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Please let me know if you have any questions or need additional information.

Best personal regards,

A handwritten signature in black ink, appearing to read "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

cc: Warren McGregor, Chairman, IASB Insurance Working Group  
Phil Arthur, Ernst & Young  
Norbert Barth, DZ Bank AG  
Albert Benchimol, PartnerRe  
Steven Bensinger, American Insurance Group, Inc.  
Richard Carbone, Prudential Financial  
Tony Coleman, Insurance Australia Group  
Andrew Crean, Citigroup Investment Research  
Denis Duverne, Axa  
Frank Ellenburger, KPMG  
Sam Gutterman, International Actuarial Association  
Toshiyuki Hanazawa, Sampo Japan Insurance  
Rob Jones, Standard & Poors  
Maurizio Luialdi, Capital Research Global Investors  
Patrick O'Sullivan, Zurich Financial Services  
Andrew Palmer, Legal & General  
Hitesh Patel, Lucida Plc  
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