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March 13, 2008

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

Dear Sir David:

At its February Board Meeting, the International Accounting Standards Board (IASB) received a series of recommendations from its staff regarding the redeliberation of an accounting standard for insurance contracts. We have reviewed those agenda papers and offer the following comments on the project plan for your consideration. We are working on additional comments on the substantive issues and will forward them to the IASB staff.

The Group of North American Insurance Enterprises (GNAIE) supports the development of a single global set of high quality insurance contracts accounting standards. GNAIE members have devoted substantial resources to providing comments and analyses to the International Accounting Standards Board (IASB) on its current and prior insurance contracts accounting projects, including comments on the IASB's Insurance Contracts Discussion Paper (ICDP). We congratulate the IASB on the serious effort it is making to develop an improved International Financial Reporting Standard (IFRS) for insurance contracts.

The IASB is now beginning a new and critical phase of its insurance contracts accounting project, and the upcoming Insurance Working Group (IWG) meeting provides an opportunity to plan for the development of an insurance contracts IFRS that will best serve the needs of users of financial statements including investors, managers, regulators, and other capital markets participants. However, the draft insurance contracts project plan is inadequate for the complexity of the project before us. GNAIE has the following significant concerns and suggestions for improvement:

- **The Insurance Contracts accounting model laid out in the ICDP is incomplete and experimental.** Even the extensive comments provided to the IASB on the ICDP could not address all of the significant issues that will be discussed and decided in the course of developing the Insurance Contracts Phase II accounting standard, particularly with regard to presentation issues. It is therefore essential that substantial opportunities for informed consideration of and feedback on tentative decisions on insurance contracts accounting be built into the project plan.
- **The draft project plan provides for only one IWG meeting.** There is need for several subsequent meetings of the IWG to consider issues before they are debated by the Board and to provide feedback on any interim decisions that will be made by the Board on the Insurance Contracts accounting project.
- **Quantitative impact assessments (field-testing) is required.** Given the experimental and untested nature of a number of the proposed insurance accounting concepts, specific provision must be made in the timetable for

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defining, performing, and analyzing the results of appropriate field testing and other analytic studies of these new concepts. Roundtables of interested parties who can provide useful geographic or technical perspectives not fully represented on the IWG should be scheduled to help process the results of the interim decisions, field testing, and analytic studies. (see Field Testing document attached)

- **The Financial Accounting Standards Board (FASB) should be brought into the project and brought up to speed before any decisions are made on the insurance contracts accounting project.** This will accomplish our shared goal of developing a single global set of high quality accounting standards. Failure to accomplish this will multiply the time needed for board education and increase the need for extensive re-deliberation of issues presumed to have been already decided.
- **A high degree of project transparency will be required to allow useful ongoing expert input to the Insurance Contracts Accounting project.** The draft project plan lists groups of questions to be addressed together in various meetings. Many of the questions on each meeting's list interrelate with questions on another meeting's list. After the issues have been discussed, we suggest that "candidate answers" to many of these questions be prepared for public review. Such candidate answers will also allow testing for consistency of earlier answers with the answers to questions assigned to later meetings. It is likely that answers to later questions will generate requirements for reconsideration of earlier questions. Time and a process for such reconsideration should be in the insurance contracts accounting project timetable.
- **Providing the additional opportunities for testing and communications that we have suggested will result in a more realistic project plan.** Rather than decisions being driven by artificial, constantly slipping project deadlines, better decisions will be made when a due process including appropriate communications and consideration is provided.

In summary, GNAIE believes that the Insurance Contracts Accounting Phase II project requires considerably more time, testing, and communication than is implied by the draft project plan. A benefit of recognizing this need for additional time and steps is that progress will be made on other related projects, so that the insurance contracts accounting project can benefit from the results of those projects rather than coming to its own, possibly inconsistent answers for the same issues. Another benefit of recognizing the need for additional time is that this will allow FASB to be smoothly brought into the project with a minimum of redundant effort.

Thank you for considering GNAIE's views on this critically important issue.

Sincerely,

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

Enclosure

JdSP:mgm:dwb