

Swiss Re



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Financial Accounting Standards Board
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Comments to Proposed FASB staff position No. EITF Issue 03-1-a

Swiss Re, as one of the world's leading reinsurers, supports the FASB's objective to develop US Financial Accounting Standards. Swiss Re Group's financial statements are published in accordance with Swiss GAAP (FER). Some of our subsidiaries, as well as a number of our clients use US GAAP as their reporting standard. Swiss Re, operating through more than 70 offices in over 30 countries, is exposed to accounting regulations issued by many different national standard setters and regulatory authorities.

Minor impairments

We believe that fixed income securities are not subject to an other than temporary impairment solely because of unrealized losses caused by changes in interest rates or other market movements. The notion of a minor impairment is driven by the size of the unrealized loss, which is caused by the market movement rather than an inability to recover the debt instrument. We do not think that the size of the unrealized loss on a security is a key factor in deciding if the debt is recoverable or if the holder can hold the security to recovery.

We also believe that expanding the guidance to include further details, for example a percentage threshold, goes beyond the typical scope of an accounting standard. The guidance defines the operational process which preparers need to put in place to apply accounting policy.

We recommend that the minor impairment notion is deleted.

Investors intend and ability to hold to recovery

We are concerned about the limits on accepting that an investor has the ability or intent to hold a security to recovery. We appreciate that the guidance does include exceptions to these limits, however we do not think that selling a security with an unrealized loss should create a

presumption about an investors ability and intent to hold other securities. Investors, such as insurers, which hold large fixed income portfolios manage both the investment portfolio and the insurance liabilities. They also take into account other factors, for example strategic options. There could be a wide range of factors influencing a decision to sell an individual security.

We recommend that the sale of a fixed income security should not create a presumption that the ability or intent to hold other securities to recovery is no longer valid. The assessment of ability or intent should be made according to the circumstances of the investing entity.

Thank you for the opportunity to comment on the proposals, please contact me if you have any questions to our comments.

Yours sincerely

M. Swallow

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