

Dr. Helmut Perlet
Member of the Board of Management

October 29, 2004

Letter of Comment No: 189 A
File Reference: EITF03-1A

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

Mr. Lawrence W. Smith
Chairman of the Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Proposed FASB Staff Position EITF Issue 03-1a

Dear Messrs. Herz and Smith,

The Allianz Group is pleased to provide you with feedback regarding the Proposed FASB Staff Position EITF Issue 03-1a („the Proposed FSP“). I would also like to note that our Allianz Group companies in North America have submitted a comment letter to you concerning the Proposed FSP and EITF 03-1 addressing several additional issues as well, which I support in full.

1. Background

The Allianz Group and its subsidiaries have global property and casualty insurance, life and health insurance, banking and asset management operations in more than 70 countries with approximately 1,200 operating entities, with the largest of our operations in Europe. The Allianz Group is an SEC registrant and a “foreign private issuer” (FPI) under SEC rules, and files an Annual Report on Form 20-F with the SEC. We prepare our consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as our primary basis of reporting. As a result, we are required by the instructions of Form 20-F to reconcile our IFRS consolidated net income and shareholders’ equity to accounting principles generally accepted in the United States of America (“U.S. GAAP”). As a company with over €1 trillion in total assets and €48 billion in total revenues at June 30, 2004, I know you can appreciate the challenges we constantly face in gathering data for our U.S. GAAP reconciling items.

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Seite 2

2. General Comment

The Allianz Group is deeply concerned by the Proposed FSP because it is our understanding and belief that the Proposed FSP has given rise to a difference between IFRS and U.S. GAAP regarding the recognition of other-than-temporary impairments for investment securities. Specifically, the Allianz Group has two major concerns with respect to the Proposed FSP:

1. **Convergence with IFRS** – The September 18, 2002 Norwalk Agreement between the FASB and International Accounting Standards Board (IASB) states a commitment to „the development of high-quality, compatible accounting standards that could be used for both domestic and cross-border financial reporting.“ Additionally, within the Norwalk Agreement, „both the FASB and IASB pledged to use their best efforts to (a) make their existing financial reporting standards fully compatible as soon as is practicable and (b) to coordinate their future work programs to ensure that once achieved, compatibility is maintained.“ Finally, the Norwalk Agreement states that „the Boards note that the intended implementation of IASB's IFRSs in several jurisdictions on or before January 1, 2005 require that attention be paid to the timing of the effective dates of new or amended reporting requirements. The Boards' proposed strategies will be implemented with that timing in mind.“

In the Allianz Group's opinion, the Proposed FSP introduces a new barrier in the process of harmonizing IFRS and U.S. GAAP, and rather than working to reduce the number of valuation, recognition and presentation differences, the Proposed FSP would result in a new difference in the area of other-than-temporary impairments for investment securities. Specifically, IAS 39, *Financial Instruments: Recognition and Measurement*, IAS 39 Implementation Guidance and the revised IAS 39 (effective January 1, 2005), do not require impairment of debt securities due to interest rate and/or sector spread increases, as is required by the Proposed FSP.

For an organization with the size and complexity of the Allianz Group size (€237 billion in available-for-sale debt securities at June 30, 2004), implementing the Proposed FSP will require a very significant amount of additional effort. Not only will the Allianz Group be required to recognize other-than-temporary impairments on two bases, but two measures of cost basis will be required as well.

2. **SEC's View on IFRS to U.S. GAAP Differences Regarding Other-Than-Temporary Impairments** – The Allianz Group would like to draw your attention to the AICPA International Practices Task Force Highlights from 25 November 2002. Within these minutes, the following discussions ensued regarding impairment of investments under U.S. GAAP and IFRS:

„The Task Force noted that some have considered there to be a difference in accounting for the impairment of investments under U.S. GAAP and IFRS. U.S. GAAP requires that for individual securities classified as either available-for-sale or held-to-maturity, an entity should determine whether a decline in fair value below amortized cost is ‚other-than-temporary‘ (having regard to the additional guidance in SAB Topic 5M). While the related IFRS guidance is similar, it does not refer to the notion of ‚other-than-temporary‘ declines in value (see paragraphs 109 and 110 of IAS 39).

Seite 3

The Task Force also noted that the SEC Staff's position appears to be that, in practice, it is unlikely that a difference would exist and that, in cases where a registrant believes that, based on their specific facts and circumstances, a GAAP difference exists; the Staff expects to be consulted."

Based upon this guidance, it is the Allianz Group's understanding that the SEC does not believe a difference exists between IFRS and U.S. GAAP for other-than-temporary impairments for investment securities. The Proposed FSP, however, will in our opinion inevitably lead to an IFRS to U.S. GAAP difference concerning other-than-temporary impairments on investment securities, contrary to the SEC and its Staff's position and the AICPA Highlights. Similarly, unless the SEC takes steps to revisit SEC Staff Accounting Bulletin No. 59, *Other-Than-Temporary Impairment of Certain Investments In Debt And Equity Securities* (SAB 59), it is the Allianz Group's understanding that all SEC registrants will still be required to apply SAB 59 even though it may conflict with the Proposed FSP.

As a result of the foregoing, the Allianz Group believes that the Proposed FSP will conflict with current SEC positions, will pose problems for other FPIs who are in the process of converting to IFRS effective January 1, 2005, specifically as it concerns their U.S. GAAP reconciliations, and will create the potential for further discussions and issues with the SEC on the part of existing IFRS filers.

The Allianz Group appreciates the opportunity to comment on this critical accounting and reporting issue. Please feel free to contact me if you would like to further discuss these issues.

Best regards,



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Chief Financial Officer
Allianz Group

Cc: Sir David Tweedie, Chairman, International Accounting Standards Board
Donald T. Nicolaisen, Chief Accountant, SEC
Scott A. Taub, SEC
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