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November 16, 2007

LETTER OF COMMENT NO. 13

Technical Director – File Reference 1540-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: An FASB Agenda Proposal: Accounting for Insurance Contracts by Insurers and Policyholders, Including the IASB Discussion Paper, *Preliminary Views on Insurance Contracts*

Dear Technical Director:

We believe the FASB should add a joint project with the IASB to its agenda to address the accounting for insurance contracts. Insurance is a global industry with many U.S. insurers having a significant global presence. The development of a common high-quality standard for use in financial reporting throughout the world would improve financial statement users' ability to evaluate the performance of industry participants across capital market jurisdictions.

The current U.S. accounting model for insurance contracts has been developed on a piecemeal basis over many years. The guidance has generally been developed in response to the creation of new products in the U.S. marketplace without undertaking a comprehensive reconsideration of the model. As a consequence, the authoritative literature is composed of various FASB Statements, AICPA Statements of Position and Guides, and EITF Consensuses. Recent issues related to reinsurance risk transfer suggest that a comprehensive review of the model for accounting for insurance contracts may be needed.

Because of the way the U.S. model has developed, it has been difficult to apply it to many international products. Similarly, without active U.S. participation in the IASB's project, there may be aspects of U.S. insurance products that are not adequately considered by the IASB. The FASB's joint participation with the IASB is the best way to ensure that the new accounting model considers all products in the global marketplace.

The IASB's discussion paper, *Preliminary Views on Insurance Contracts,* represents the most detailed consideration of the application of the concept of exit value to insurance liabilities currently available. In addition, the IASB involved numerous constituencies, including insurers, insurance trade associations, regulators, and analysts, to develop the discussion paper. Accordingly, the discussion paper represents the appropriate starting point for the FASB in the

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development of a comprehensive accounting model for insurance contracts. However, some of the preliminary decisions expressed in the IASB's discussion paper will require further analysis and consideration as the project moves forward.

Policyholder accounting is already being considered as part of the FASB's insurance risk transfer project. While it does not necessarily need to be addressed at the same time as the accounting by insurers, given that the underlying concepts are similar to the purchase of reinsurance by insurance companies, there is value in considering policyholder accounting in that context as the project progresses, provided that it does not cause undue delay in the development of the accounting model for insurance liabilities.

We regard the provision of insurance as a service and believe that premiums earned by an insurer should reflect the consideration received for the service and should be reported as revenue. As a consequence, we believe that it is critical that guidance for performance reporting and revenue recognition also be developed by the Board. These other projects should consider the reporting of changes in insurance liabilities and assets and how and when measured margins should be released to income.

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If you have questions regarding the information included in this letter, please contact Mark Bielstein at (212) 909-5419 or Darryl Briley at (212) 909-5680.

Sincerely,

KPMG LLP

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