



ASSOCIATION ACTUARIELLE INTERNATIONALE
INTERNATIONAL ACTUARIAL ASSOCIATION

November 16, 2007



LETTER OF COMMENT NO. 12

Technical Director
File Reference 1540-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
United States
(Email: director@fasb.org)

Dear Sir

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

In response to the invitation to comment, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations with respect to the FASB Agenda Proposal. Overall, the attached comments are supportive of the corresponding comments prepared by the American Academy of Actuaries, one of our member associations.

These comments have been prepared by a task force of the Committee on Insurance Accounting of the IAA. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of that committee, Sam Gutterman, or any of the other members of the committee.

Yours sincerely

Yves Guérard
Secretary General

Attachment: IAA comments

**A Commentary on the
FASB AGENDA PROPOSAL:
ACCOUNTING FOR INSURANCE CONTRACTS BY INSURERS AND POLICYHOLDERS,
INCLUDING THE IASB DISCUSSION PAPER, "PRELIMINARY VIEWS ON INSURANCE CONTRACTS"
Released by the Financial Accounting Standards Board: August 2, 2007**

INTERNATIONAL ACTUARIAL ASSOCIATION

The International Actuarial Association (the "IAA") represents the international actuarial profession. Our fifty-seven Full Member actuarial associations represent more than 95% of all actuaries practicing around the world and are listed in an Appendix to these comments. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries. The IAA appreciates the opportunity to respond to this FASB invitation to comment.

Our comments are written from the perspective of actuaries involved in financial reporting for insurers around the world, and are in general support of the comments provided to you by the American Academy of Actuaries (AAA), one of our Full Member associations. The members of the committee that prepared this statement are listed in Appendix A thereof. Our response has been subject to the due process required for it to constitute a formal view of the IAA, and it will be posted to the IAA's web site.

GENERAL COMMENTS

Support for convergence of IFRS and US GAAP

Because of the significance of multi-national insurance companies, domiciled both in the U.S. and elsewhere in the world, we believe that all potential stakeholders would benefit from a single set of high quality international standards that provide a common approach to accounting for insurance contracts.

We recognize the complexity of insurance contracts, the challenges they present to accounting standard setters and the amount of time and resources that the FASB will face in joining with the IASB in this project. Therefore, we urge that the FASB makes use of actuarial and other resources available to it (including the possibility of one or more secondments with in-depth knowledge of insurance and insurance accounting) so that the project not be delayed more than absolutely necessary. In addition, we suggest that several FASB Board members participate in the upcoming discussions of the IASB's Insurance Working Group, the first of which will be in April 2008.

RESPONSES TO QUESTIONS

Question 1: Is there a need for the FASB to comprehensively address accounting for insurance contracts? Why or why not?

We suggest that there is a significant need to address accounting for insurance contracts in a comprehensive manner, both because of the overall goal of convergence and for other reasons, a brief discussion of which follows.

Current U.S. GAAP accounting for life insurance and annuity coverages is largely a patchwork of guidance developed over several decades as new coverages and accounting concepts emerged. Current guidance for such insurance requires close attention to detailed instructions, rather than focusing on achieving a consistent and sound principles-based approach. This project presents a worthwhile opportunity to develop a principles-based structure that can avoid the considerable complexity that has emerged, improve consistency of measurement, and reduce the frequent need to revise the accounting guidance.

It may also be appropriate to consider adopting a standard that addresses insurance *contracts*, rather than insurance *business* (as in SFAS 60), and that will be more closely aligned with the approaches used in other related areas of accounting.

a. What aspects of existing U.S. GAAP accounting for insurance contracts could be improved or simplified and how pervasive are these issues?

We have discussed above our concern regarding the patchwork nature of life insurance and annuity guidance. We also believe that it would be better to focus on a common measurement goal for the liabilities of insurance contracts, including the consequential effects on performance measurement and disclosure. A restructuring of the current guidance would allow a more principle-based approach, leaving more detailed measurement guidance to be provided by actuaries, rather than continually patching and repairing the existing quilt of guidance.

b. How important is the development of a common, high-quality standard used in both the U.S. and IFRS jurisdictions?

The continuing and rapid globalization of capital markets and cross-border investing already recognized by the FASB, combined with a trend over a number of years for mutual insurers to raise additional capital through de-mutualization, have increased insurer participation in international capital markets. Many of the largest insurers in the world now conduct business internationally and list their securities in more than one country. When consolidated statements are prepared for such entities, differing accounting standards generate additional unnecessary expenses for those companies, increase the possibility of inadvertent error in the statements, and increase the likelihood that less meaningful financial information will be provided to users of the financial statements, not to mention the public distrust created by differing financial results arising from jurisdictional accounting standard differences. Furthermore, training of staff in multiple accounting systems can be difficult and wasteful of resources. It would, therefore, be of considerable value to such companies to be able to rely on a standard that is common among jurisdictions that currently require U.S. GAAP and IFRS.

As actuaries, we believe that having a consistent, understandable and transparent set of accounting standards would benefit users worldwide. However, though we are not aware of any, to the extent that the revised approach inadvertently creates situations where the adopted accounting guidance does not properly reflect unique aspects of a national market, such differences should be identified and addressed appropriately. This project will ensure that any such U.S. concerns will be so identified.

Question 2: Are the preliminary views expressed in the IASB's Discussion Paper a suitable starting point for a project to improve, simplify, and converge U.S. financial reporting for insurance contracts? If not, why not?

We believe that the IASB's Discussion Paper is a suitable starting point for a joint insurance contracts project. Most, though not all, relevant issues have been identified. It should be noted, however, that many of these issues have not yet been resolved to the IAA's satisfaction (as discussed in our submission to the IASB) and should be addressed in the next stage of this project. We note two important areas that have not been dealt with in the Discussion Paper – the principles that should underlie disclosure requirements and performance measurements related to the new standard. We suggest that these also be more completely addressed in the next stage of the project.

a. Do you believe the preliminary views would be feasible to implement? If not, what aspects of the preliminary views do you believe could be difficult to apply and why?

Although we have concerns with certain of the preliminary views expressed in the Discussion Paper, we do not believe their resolution to be insurmountable. We hope that the practical issues involved will be resolved prior to adoption.

Comments on these concerns are included in more detail in our comments to the IASB that will be available on both the IASB and our own website.

b. Are there other alternatives to improve or simplify U.S. financial reporting for insurance contracts that you would recommend? What would be the benefits of those alternatives to users of financial statements?

We are not aware of any such alternatives, but are not as close to the U.S. market as is the American Academy of Actuaries.

Question 3: Is there a need to address accounting by policyholders in an insurance contracts project? Why? If yes, should accounting by policyholders be addressed at the same time as the accounting by insurers? Can or should that wait until after the accounting by insurers is completed?

We do not believe that there is an urgent need to combine these two issues. While accounting for policyholders should certainly be addressed, unless sufficient resources and time can be allotted to both, we do not believe that tackling them simultaneously is worth the possible consequential delay of the insurance contracts project. In any case, policyholder accounting might be addressed after an exposure draft for insurance contracts has been completed. Given the shorter time that it should take to address policyholder guidance, it might still be possible to implement the two projects at roughly the same time.

Nonetheless, we do encourage that accounting by insurers relative to their ceded reinsurance assets be included in the insurance contracts project.

Question 4: How would you address the interaction between the accounting for insurance contracts and the FASB's other projects on the conceptual framework, revenue recognition, liabilities and equity, financial instruments, and financial statement presentation? Are certain projects precedential?

It would be helpful, but not a requirement, for the basic conclusions on some of these other key projects, particularly the revisions to the conceptual framework, to be available prior to the final decision-making on the insurance contracts project. We recognize, however, that the insurance project may be completed before the relevant final decisions are made on the other projects. Nevertheless, it is highly desirable that the approach taken on this project be as consistent as possible with the conclusions on these other important projects. We urge that they be developed in parallel.

Where there is an expectation that the direction being taken by these related projects will be inconsistent with the approach taken in the insurance contracts project, we would prefer that the accounting for insurance contracts not be changed fundamentally twice within in a short period of time to accommodate the conclusions of these other projects. It is important that such fundamental changes stand the test of time.

In addition, since some of the concepts in the insurance contracts project may affect the Board's thinking on other projects, non-insurance stakeholders should be solicited as part of the due process undertaken for the insurance contracts project.

Appendix A

Members of the IAA Insurance Accounting Committee

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| Sam Gutterman | Chairperson |
| David Congram | Vice-Chairperson |
| Francis Ruygt | Vice-Chairperson |
| Yutaka Amino | Institute of Actuaries of Japan) |
| Victor Hugo Cesar Bagnati | Instituto Brasileiro de Atuária (IBA) |
| Daniel Barron | Israel Association of Actuaries |
| Ralph Blanchard | Casualty Actuarial Society |
| Guy Castagnoli | Association Suisse des Actuaire |
| David Congram | Canadian Institute of Actuaries/Institut Canadien des Actuaire |
| Alexander Dollhopf | Svenska Aktuarieföreningen |
| Guillermo Ezcurra Lopez De La Garma | Instituto de Actuarios Españoles |
| Mark J Freedman | Society of Actuaries |
| William Hines | American Academy of Actuaries |
| Armand Maurice Ibo | Institut des Actuaire de Côte d'Ivoire |
| Dragica Jankovic | Udru enje Aktuara Srbije |
| Burton D Jay | Conference of Consulting Actuaries |
| Jelica Klucovska | Slovenska Spolocnost Aktuarov |
| Ad A.M. Kok | Het Actuarieel Genootschap |
| Christoph Krischanitz | Aktuarvereinigung Österreichs (AVÖ) |
| Kurt Lambrechts | Association Royale des Actuaire Belges |
| Yin Lawn | Actuarial Institute of Chinese Taipei |
| Kristine Lomanovska | Latvijas Aktuaru Asociacija |
| Anne Sundby Magnussen | Den Norske Aktuarforening |
| Brian Morrissey | Society of Actuaries in Ireland |
| Andreja Radic | Hrvatsko Aktuarsko Drustvo |
| Venkatarama Rajagopalan | Actuarial Society of India |
| Nithiarani Rajasingham | Singapore Actuarial Society |
| Thomas Ringsted | Den Danske Aktuarforening |
| Matthew Christopher Saker | Faculty of Actuaries |
| Jaanus Sibul | Eesti Aktuaride Liit |
| Dieter Silbernagel | Deutsche Aktuarvereinigung e. V. (DAV) |
| Lisa Simpson | Institute of Actuaries of Australia |
| Pentti Soininen | Suomen Aktuaariyhdistys |
| Bjarni Thórdarson | Félag Islenskra Tryggingastærðfræðinga |
| Charles Vincensini | Institut des Actuaire |
| Peter Withey | Actuarial Society of South Africa |
| Derek Wright | Institute of Actuaries |
| Jesús Zúñiga San Martin | Colegio Nacional de Actuarios A.C. |

Full Member Associations of the IAA

Asociación Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Association Royale des Actuaire Belges (Belgique)
Instituto Brasileiro de Atuária (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaire (Canada)
Institut des Actuaire de Côte d'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Društvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Česká Společnost Aktuárů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaride Liit (Estonia)
Suomen Aktuaariyhdistys (Finland)
Institut des Actuaire (France)
Deutsche Aktuarvereinigung e. V. (DAV) (Germany)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Íslenskra Tryggingastærðfræðinga (Iceland)
Actuarial Society of India (India)
Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
Israel Association of Actuaries (Israel)
Istituto Italiano degli Attuari (Italy)
Institute of Actuaries of Japan (Japan)
Japanese Society of Certified Pension Actuaries (Japan)
Latvijas Aktuaru Asociācija (Latvia)
Lebanese Association of Actuaries (Lebanon)
Persatuan Aktuari Malaysia (Malaysia)
Colegio Nacional de Actuarios A. C. (Mexico)
Het Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuaruszy (Poland)
Instituto dos Actuários Portugueses (Portugal)
Academia de Actuarios de Puerto Rico (Puerto Rico)
Udruženje Aktuara Srbije (Serbia)

Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaires (Switzerland)
Actuarial Institute of Chinese Taipei
Faculty of Actuaries (United Kingdom)
Institute of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)