

June 1, 2010

Sir David Tweedie  
Chairman,  
International Accounting Standards Board  
30 Cannon Street  
London, EC4M6XH  
United Kingdom

Robert Herz  
Chairman,  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856  
United States

**Re:** Insurance Contracts Joint Project

Dear Sir David and Mr. Herz:

We have actively supported and participated in the individual and joint efforts of the Boards to develop a comprehensive global accounting standard for insurance contracts. However, in the interest of investors and other financial statement users, we urge the IASB to reconsider its decision to apply a single measurement model to both life and non-life insurance contracts.

In contrast to the single model approach proposed by the IASB, we reiterate our strong support for the existing global accounting standard for non-life insurance contracts with a coverage period of one year or less that includes the following attributes:

- UPR for pre-claim liabilities during the coverage period;
- Actuarially determined best estimates for incurred (both reported and unreported) claims;
- Claim reserves reported at undiscounted expected settlement amounts unless claims are fixed and determinable on an individual claim basis, and
- No explicit risk margins included in claim reserves

The following elements of the existing global accounting standard for non-life insurance contracts facilitate the timely, transparent conveyance of critical information to investors and other financial statement users:

- Performance ratios such as the claims (i.e., loss) ratio, expense ratio, and combined (i.e., underwriting) ratio;
- Ability to assess the reliability of claim reserve estimates over time through claim development tables;
- Ability to compare claim and underwriting experience between insurers with similar products;
- Absence of non verifiable reserve components including risk adjustments and discounting

We are concerned with the potential loss of decision useful information that would accompany the migration to a single model for life and non-life insurance contracts. We are equally concerned that the proposed single model is not validated by empirical evidence and supported by established actuarial practice, but rather, is based largely on intellectual hypotheses. Given the size, scope, and importance of the global non-life insurance market, we consider the Boards' current direction risky and ask that they reconsider their proposals

affecting the accounting and reporting for non-life insurance before completing, voting on, and publishing their respective Exposure Drafts for insurance contracts.

Sincerely,

American Insurance Association  
Asociación de Aseguradores de Chile  
Group of North American Insurance Enterprises  
National Association of Mutual Insurance Companies  
Property Casualty Insurers Association of America



**American Insurance Association**



**NAMIC<sup>®</sup>**



**Property Casualty Insurers  
Association of America**

Shaping the Future of American Insurance