GNAIE

1520-100

LETTER OF COMMENT NO. 81

May 9, 2007

Technical Director - File Reference No. 1520-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Subject: Financial Accounting Standards Board ("FASB") Invitation to Comment on Valuation Guidance for Financial Reporting ("ITC")

Dear Technical Director,

The Group of North American Insurance Enterprises[1] ("GNAIE") appreciates this opportunity to share our thoughts and comments with you concerning the ITC. In addition, the attached appendix provides more detailed responses to the questions set forth in the ITC.

While we do not believe that specific valuation guidance is needed at this time, we do believe recent FASB decisions[2] that either permit or require the use of fair value measurements on a recurring basis in situations where no active markets exist for the purpose of verifying fair value estimates may necessitate the need for the the development of conceptual valuation guidance. That said, we are not convinced that the valuation guidance that might emerge from a process established as a result of the ITC will eliminate the measurement consistency and comparability issues that will result from the proliferation of fair value measurements that are not subject to independent verification to active market sources. Accordingly, we also believe the FASB must continue to consider the impacts on consistency, comparability, and reliability (i.e. representational faithfulness) of permitting or requiring the use of fair value measurements on a recurring basis in situations where no active markets exist.

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[1] GNAIE consists of Chief Financial Officers of leading insurance companies including life insurers, property and casualty insurers, and reinsurers. GNAIE members include companies who are the largest global providers of insurance and substantial multi-national corporations. All are major participants in the US markets. The goals of GNAIE are to influence accounting standards to ensure that they result in high quality accounting standards for insurance companies and, to that end, to increase communication between insurers doing business in North America and the International Accounting Standards Board and the US Financial Accounting Standards Board. GNAIE works to meet its goals through modeling of proposed accounting standards, analysis, comment, and coordination with various end users of financial reports.

[2] FASB Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities – Including an Amendment of FASB Statement No. 115*

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If valuation guidance is deemed to be necessary at a future date, it should be primarily principles-based and fall within the responsibility of the FASB, in coordination with the IASB, to ensure due process.

If questions arise concerning the content of this letter, please contact Kevin Spataro at (847) 402-0929 for a further discussion. Moreover, we would like to participate in the public roundtable

Thank you in advance for your consideration.

Respectfully submitted,

Douglas Wm. Barnert

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Appendix

Question 1 - Is There a Need for Valuation Guidance Specifically for Financial Reporting?

We do not believe valuation guidance is necessary at this time for the reasons outlined in our letter. . Moreover, while FAS 157 defines fair value and establishes a single set of guidance for all fair value measurements, it does not provide detailed guidance on how to perform fair value measurements. Accordingly, without specific interpretive guidance, which we would prefer to be principles as opposed to rules-based, , the consistency, comparability and ultimate decision-usefulness of financial statements could be impaired by the use of non-verifiable fair value measurements.

Question 1(a) - Should Valuation Guidance Include Conceptual Valuation Guidance, Detailed Implementation Guidance, or a Combination of Both?

Again, we do not believe that valuation guidance is necessary at this time. If guidance is deemed to be necessary in limited circumstances at a future date, our strong preference would be for valuation guidance to be conceptual in nature. We believe comprehensive implementation guidance in the situations noted above should only be issued if it would aid the consistency and comparability of fair value measurements between reporting entities and thereby promote the decision-usefulness of financial statements. If it reaches the point that the issuance and development of prescriptive guidance becomes necessary for FAS 157 to be appropriately implemented as it relates to certain recurring Level 3 fair value measurements, in our view it would raise a concern as to whether fair value is, or should be, the appropriate measurement attribute in those circumstances.

Question 1(b)—What Should Be the Duration of Any Valuation-Guidance-Setting Activities?

The duration of valuation guidance setting activities, if they are deemed to be necessary, should be indefinite as it is presumed that an inventory of valuation issues (both emerging and existing) will exist at all times as a result of the always evolving complexity of both financial and non-financial assets and liabilities.

Question 2—What Level of Participation Should Existing Appraisal Organizations Have in Establishing Valuation Guidance for Financial Reporting?

If it becomes necessary to issue valuation guidance in limited circumstances in the future, we believe that existing appraisal organizations should act solely in an advisory role in establishing valuation guidance for financial reporting and should not be designated as the principal standard-setter as those organizations were not established and do not have the infrastructure and institutional knowledge to act in a standard-setter capacity.

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Question 3 — What Process Should Be Used for Issuing Valuation Guidance for Financial Reporting?

Any valuation guidance that is issued should be in the form of an interpretation of FAS 157 through the FASB, complete with due process. We would caution against the creation of any organization that might promulgate a body of very prescriptive rules-based guidance which we believe would be inconsistent with FASB's stated desire to move to more principles-based guidance as well as its convergence with principles-based International Financial Reporting Standards. In either situation, it is presumed that external valuation experts as well as financial statement preparers and users would serve in an advisory role (either directly to the FASB or as part of a newly designated sub-group).

Question 4 — Should the Process of Valuation Guidance Be on an International or National Level?

As a consequence of fundamental differences in the scope and depth of markets in the United States and abroad, we suggest that initially, the valuation guidance should be focused at a national level, however, consistent with the convergence of US GAAP and IFRS, the long-term goal should be to develop guidance that is suitable for application on an International basis.

Other comments?

As it relates specifically to the valuation of insurance liabilities under current GAAP, we believe the actuarial profession (as generally represented by the Actuarial Standards Board), which has historically provided valuation guidance to financial statement preparers, should continue to fill this vital role. More specifically, the actuarial profession has established a comprehensive body of generally accepted actuarial standards and practices that we believe are best suited to estimate or otherwise substantiate the value of insurance liabilities (both life and property and casualty). As a result of their depth of knowledge of this class of liabilities, we believe insurance actuaries should also serve as the principal technical advisors to the FASB, if necessary, as it relates to the potential measurement of all, or a portion of, insurance liabilities on a recurring basis at fair value. The development of guidance for the valuation of insurance liabilities, because of their inherent complexities, should be separated from the development of valuation guidance for other non-insurance liabilities.

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