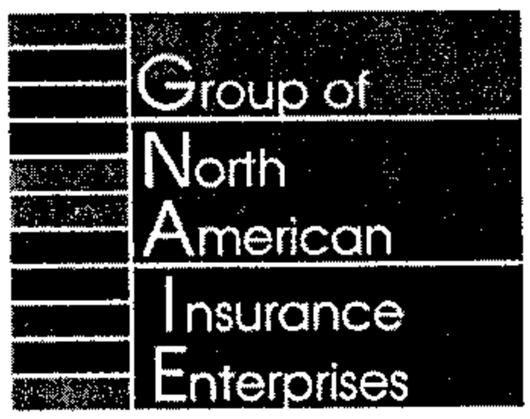
Letter of Comment No: 13
File Reference: 1210-001



October 10, 2005

To: Technical Director – File Reference 1210-001
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Sent by email to director@fasb.org

Chair
Richard Carbone
CFO, Prudential Financial

Vice Chair
Jerry M. de St. Paer
CFO, XL Capital

Philip Bancroft
CFO, ACE Ltd.

Steven J. Bensinger
CFO, AIG

Danny L. Hale
CFO, The Allstate Corporation

Marc Meiches
CFO, GE Insurance Solutions

William G. Gasdaska
CFO, General Reinsurance

Richard P. McKenney
CFO Genworth Financial

Robert Price
Controller, The Hartford

Dennis Langwell
CFO, Liberty Mutual Group

Joseph J. Prochaska, Jr.
CAO, Metropolitan Life Insurance

Michael E. Sproule
CFO, New York Life Insurance

Douglas Wm. Barnert
Executive Director
40 Exchange Place, Suite 1707
New York, NY 10005
United States

++1-212-480-0808
info@gnaie.net
www.gnaie.net

RE: File Reference 1210-001 - Exposure Draft (ED or Proposal) on the Proposed Statement of Financial Accounting Standards, *Accounting for Certain Hybrid Instruments, an amendment of FASB Statements No. 133 and 140.*

Dear Sir/Madam:

The Chief Financial Officers of eleven leading insurance companies including life insurers, property and casualty insurers, and reinsurers formed the Group of North American Insurance Enterprises (GNAIE) in 2003. 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 goal of GNAIE is to influence international 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 United States Financial Accounting Standards Board (FASB). GNAIE works to meet its goals through modeling of proposed accounting standards, analysis, comment, and coordination with various end users of financial reports.

We thank you for the opportunity to comment on the recently issued Exposure Draft, *Accounting for Certain Hybrid Instruments*. While we recognize and understand the overall objectives for issuing the exposure draft, as well as the companion exposure drafts that also amended SFAS #140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* we are compelled to discuss our concerns regarding the amendments to SFAS #133, Accounting for Derivative Instruments and Hedging Activities.

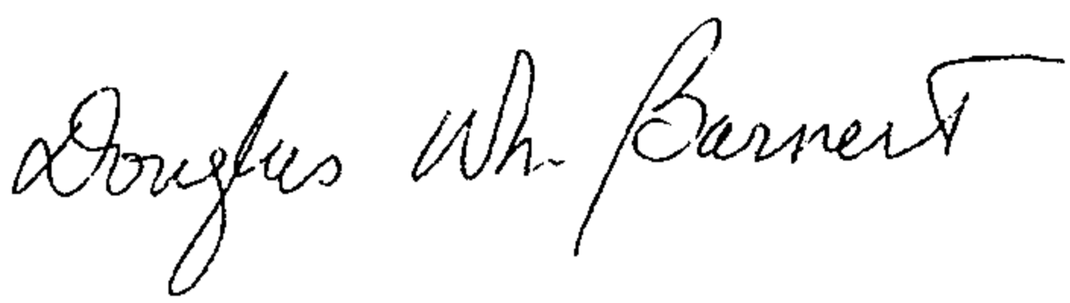
We are concerned with the lack of guidance with respect to how to apply the provisions pertaining to beneficial interests, specifically regarding those changes to paragraph 14 (including new subparagraphs A and B) of SFAS #133. Prior to the issuance of Statement #149 (an amendment of FAS #133), the Derivatives Implementation Group (DIG) had attempted to clarify the requirements of SFAS #133 as they pertained to beneficial interests in securitized financial assets (DIG Issues B12, C17 and D2).

We recommend that the FASB provide similar guidance, including examples of when a beneficial interest is considered a derivative in its entirety, as well as examples of when beneficial interests contain embedded derivative that do and do not require bifurcation. Also, the examples should incorporate how the decision to bifurcate embedded derivatives is impacted based on whether an entity holds a beneficial interest in a mezzanine vs. senior tranche of a securitization.

We feel this type of additional implementation guidance would be extremely constructive in helping users understand the provisions of paragraph 14 of SFAS #133. Without this additional guidance we feel users will continue to be confused about how and when to apply the new requirements.

We kindly ask that the FASB consider incorporating this type of guidance in the final statement that is issued. We would be pleased to discuss our comments with the Board or the FASB staff at your convenience.

Respectfully Submitted,



Douglas Wm. Barnert
Executive Director

DWB:mtf