



April 12, 2010

Robert Herz, Chair  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Dear Mr. Herz:

We (the Group of North American Insurance Enterprises (GNAIE)) are sending this letter to you in advance of your scheduled discussion on Wednesday (April 14) concerning whether certain changes in insurance liabilities should be recognized through other comprehensive income (OCI). We feel very strongly that, for life insurance and similar long duration contracts, consistent treatment of assets and liabilities must be permitted in order to provide meaningful information to users of financial statements.

In the insurance contracts project, the IASB has tentatively decided:

- not to change the accounting for an insurer's assets; and
- not to permit or require the use of OCI for insurance contracts.

We believe that the tentative decisions of the IASB in this matter are inconsistent with existing US GAAP standards and positions that the FASB is taking in current projects. Whereas the IASB has eliminated OCI for almost all financial assets and liabilities, the FASB has allowed the use of OCI in certain situations:

- Fair value through OCI (with recycling) is permitted for certain financial assets (debt instruments). For a life insurance company, those assets represent a large proportion of the assets backing insurance liabilities.
- OCI (with recycling) is used for employee benefit liabilities, and the FASB does not have an active project to review this position.
- FASB is considering an approach for recognizing and measuring credit impairment for financial assets for which certain changes in fair value (those related to changes in interest rates) may be recognized in OCI.
- FASB has already decided that OCI (with recycling) should be permitted for some financial liabilities, in order to avoid accounting mismatch with treatment of financial assets. Allowing it for long duration insurance liabilities would not, therefore, be unique to insurance.

We urge the FASB to allow changes in life insurance liabilities due to changes in discount rates to be recognized through OCI (with recycling), in order to avoid misleading mismatches in reporting of asset

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and liability values, and in order to be consistent with existing US GAAP standards and positions the FASB is taking in other active projects.

We would be pleased to discuss our views on this subject with you at your convenience, and to provide you with additional information if you want it. We have written several letters on this subject to the IASB (including letters dated [October 27, 2009](#), [February 4, 2009](#), and [July 25, 2008](#), found at <http://www.gnaie.net/iasb.htm>). We wrote those letters jointly with the four largest Japanese life insurance companies, whose views have generally been consistent with our views on this matter.

Sincerely,

A handwritten signature in black ink that reads "Kevin Spataro". The signature is written in a cursive, slightly slanted style.

Kevin Spataro  
Chairman, Accounting Convergence Committee  
kk:wes

CC: FASB Members  
Mr. Mark Trench, FASB Staff  
Mr. Jeffrey Cropsey, Project Manager, FASB  
Mr. Has van der Veen, Practice Fellow, IASB