



August 12, 2010

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Insurance Contracts Project

Dear Mr. Herz:

GNAIE (Group of North American Insurance Enterprises) strongly supports the Financial Accounting Standard Board's (FASB or Board) July 28 decision to issue a Discussion Paper (DP) as opposed to an Exposure Draft (ED) to solicit input from constituents on a new comprehensive accounting and financial reporting standard for insurance contracts. While the FASB and the IASB have worked diligently to reach tentative conclusions on this joint project, there are still significant fundamental issues on which the FASB has not yet reached consensus positions. As a result, at this time, we believe that issuing a DP is the appropriate course of action to ensure that global accounting standards achieve the high quality objective demanded by stakeholders.

On July 15, we sent a letter to the IASB (on which you were copied), in which we expressed our view that the IASB should also issue a DP rather than an ED of a proposed insurance contracts standard, because the IASB also has a number of critical tentative conclusions which are not clear and/or were reached without the clear consensus that is typical for critical issues prior to issuing an ED. The critical issues for which divergent views remain within the IASB are reflected in the questions posed in the ED that the IASB issued on July 30. We believe a key contributing factor to the divergent views that exist for critical elements of the proposal is the lack of comprehensive field testing which historically has been used to confirm or refute the merits of competing alternatives. We do not believe the limited field tests completed in late 2009 adequately addressed the significant unresolved issues and we remain concerned that additional test results cannot be effectively evaluated within the timeframe the IASB has set to complete a standard by the middle of 2011.

Jerry M. de St. Paer
Executive Chair

Douglas Wm. Barnert
Executive Director

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We remain committed to the development of high quality financial reporting standards that provide reliable, decision-useful information to users of financial statements of insurance entities, and we would be pleased to assist the Board and its staff in achieving such standards. For example, we can provide assistance in developing language (e.g., regarding the premium allocation method) and in assessing implications of specific proposals (e.g., the effects of interpretations of discount rate provisions). We strongly support the Board's intent to: (a) complete a full comparison of the IASB's proposed model with current U.S. GAAP (the most prevalent framework currently applied for insurance contracts on a global basis), and the FASB's tentative conclusions; and (b) seek input from constituents on whether the proposed changes would provide material and cost effective improvements relative to current practice.

Sincerely,

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

Kevin Spataro
Chair, GNAIE Accounting Convergence Committee

cc: FASB Members

KAS:KK:c11