



20 April 2006

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Wil Dullemond
Chairman
IAIS Solvency Subcommittee

Dear Chairman. Dullemond:

We are writing on behalf of the Group of North American Insurance Enterprises (GNAIE). GNAIE is the only trade association which focuses exclusively on solvency, financial reporting and accounting issues. Its membership includes eleven of the largest international writers of insurance and reinsurance and its Board is composed of the Chief Financial Officers of those organizations. Although all GNAIE members are North American headquartered insurers, GNAIE members include some of the largest global writers and as such are deeply interested in the developments on solvency at the International Association of Insurance Supervisors.

We are pleased to have the opportunity to present our comments on the April 6 version of the Structure Paper.

GNAIE looks forward to working with you and the Subcommittee on these important issues.

Sincerely,

Leslie Deich
Genworth Financial
Co-chair GNAIE Solvency Committee

Peter Giaccone
XL Capital
Co-chair GNAIE Solvency Committee

Gideon Pell
New York Life
Co-chair GNAIE Solvency Committee

To influence the development of international accounting standards to ensure that they result in robust, high quality standards for insurance enterprises

Solvency Subcommittee Template for comments

The IAIS Common Structure for the Assessment of Insurer Solvency (Third Draft dated 6 April 2006)

Name/ Jurisdiction	Paragraph reference	Comment	Resolution
GNAIE /US	General	We understand that the paper has been drafted by a number of different people. This is evident in the unevenness of style and content. Some areas are covered in depth while others are barely addressed. The document requires substantial editing to make it more concise and coherent. The level of detail provided should be standardized throughout the paper.	
GNAIE/US	8	The Structures paper may be too ambitious in scope. A primary objective should be to build upon and extend the “cornerstones” paper in regard to standards for regulatory financial requirements, and to indicate those individual standards that will need to be developed. In that case, there needs to be a clear trail mapping the cornerstones paper to the technical requirements detailed in the Structures paper and to standards that will be developed in the future.	
GNAIE/US	15	We are not convinced that technical provisions for accounting purposes will prove to be suitable for solvency. While it would certainly be preferable for the accounting treatment of insurance liabilities to be largely consistent with the prudential view, there may be certain instances (e.g. discounting of non-life reserves) where the economic value approach required of solvency assessments should not dictate a corresponding requirement in financial reporting standards. If prudential margins are built into the financial reporting of technical reserves, the stated objective of the solvency regime should be to avoid overlaps by allowing such margins to offset or reduce the capital requirements.	

Name/ Jurisdiction	Paragraph reference	Comment	Resolution
GNAIE/US	16	While the IAIS should aim for compatibility as far as possible with the IASB accounting project, we also recognize that accounting and solvency assessments have different purposes.	
GNAIE/US	37	The discussion of model-based valuation of insurance liabilities appears to be somewhat superficial. For example, it implies that a ‘less robust’ valuation method may be acceptable under certain conditions. This is a complex subject deserving of a separate paper where the issues can be addressed more fully.	
GNAIE/US	50	This is an example of specificity of individual standards that is inconsistent with the rest of the paper. From a governance perspective, the key point is that management is ultimately responsible for all assumptions and estimates in financial reporting and capital assessments, and must be able demonstrate the reliability of the model and assumptions internally and externally.	
GNAIE/US	53-60	The role of the Actuary is emphasized in this section, but equally important is the role of others key individuals also involved in the determination of liabilities, reserves and capital requirements.	
GNAIE/US	72-84	We believe that the Public Disclosure requirements should be specified as part of the third element of the supervisory structure. Under Solvency II and Basle II, public disclosure is prominently included in Pillar 3 covering Market Discipline and Disclosures. In contrast, Figure 2 of the Structures paper suggests public disclosure is outside of the Framework.	