GNAIE
Insurance Accounting News
Group of North American Insurance Enterprises

For more information contact:
Doug Barnert
Executive Director
++1-212-480-0808
doug.barnert@gnaie.net

INSURERS SUPPORT REPORT OF U.S. CHAMBER COALITION THAT FOUND FAIR VALUE ACCOUNTING REFORMS FALL SHORT OF FIXING PROBLEMS

NEW YORK, May 5 -- The Group of North American Insurance Enterprises (GNAIE) endorsed a new report released by the Fair Value Coalition of the U.S. Chamber of Commerce that found financial reporting problems will continue to adversely impact the economy unless shortcomings in the recent changes made by the Financial Accounting Standards Board (FASB).

Jerry de St. Paer, executive chairman of GNAIE, which is a member of the Coalition, said the report found that despite changes to fair value accounting standards, adherence to exit prices continues to keep in place the existing valuation mechanisms that exacerbate non-economic losses in inactive markets. As a result, the ability to value assets in inactive markets remains problematic at best.

(more)

GNAIE
40 Exchange Place, Suite 1707
New York, NY 10005
UNITED STATES
++1-212-480-0808
doug.barnert@gnaie.net
www.gnaie.net

GNAIE
Insurance Accounting News
Group of North American Insurance Enterprises

Furthermore, the report also determined that FASB's changes to impairment rules retained a significant recognition of non-economic losses, impeding the ability for accurate reporting of credit and non-credit related losses.

The report also found that there were significant and controversial changes made during the time between the initial FASB proposal and the FASB meeting of April 2, 2009 that were not available to the public for comment. As part of the report, The Fair Value Coalition suggests a number of solutions, including a 15 day public comment period on the important changes made that were never vetted during the initial exposure period.

The intent of the changes to fair value accounting was to recognize true economic losses and allow for a realistic valuation of assets. Some of the changes to the standards fell short of that goal. If these problems are not fixed, financial reporting problems will continue to adversely impact the economy during its worst crisis in 75 years. Furthermore, changes to the initial proposals should have been made available for a short public comment period, which would have allowed the problems found in this report to be identified and resolved during that time frame without any delay to implementation. The suggested changes in the report are not drastic and would have beneficial impacts. We urge FASB to move forward with these suggestions.

The Fair Value Coalition report also contains an example showing differences in asset valuation using the old fair value standards, the initially proposed reforms, and the changes ultimately adopted in the final FASB staff positions issued on April 9, 2009.

(more)

GNAIE
Insurance Accounting News
Group of North American Insurance Enterprises

In addition to GNAIE, the following associations also support the conclusions in the report: Commercial Mortgage Securities Association, Council of Federal Home Loan Banks, Independent Community Bankers of America, International Council of Shopping Centers, Mortgage Bankers Association, NAIOP, Commercial Real Estate Development Association, Property Casualty Insurers Association, The American Council of Life Insurers, The Financial Services Roundtable, The Real Estate Roundtable and the United States Chamber of Commerce.

The goals of GNAIE are to influence international accounting and solvency standards to ensure that they result in robust high quality accounting and solvency standards for insurance companies and, to that end, to increase communications between insurers doing business in North America and international regulators and standard setters. GNAIE works to meet is goals through modeling of proposed accounting standards, analysis, comment and coordination with various end users of financial reports.

###