



May 27, 2009

Rob Esson
Chair
IAIS Insurance Contracts Subcommittee
resson@naic.org

Dear Mr. Esson;

The Group of North American Insurance Enterprises (GNAIE) understands that the Insurance Contracts Subcommittee will be reviewing the Draft Guidance Paper on the Valuation of Assets and Liabilities, including Technical Provisions, for Solvency Purposes and the IAIS Solvency Subcommittee's Indicative View on the topic. In light of that discussion, GNAIE wishes to submit the following views on the Solvency Subcommittee's Indicative View.

We have concerns with a market-consistent valuation requirement for both assets and liabilities. Recent events in the financial industry have raised serious questions regarding the efficacy of market-consistent valuation for assets and the pro-cyclical effects of such valuations. For liabilities, market consistent valuation is even less meaningful since there is no deep and liquid market for insurance liabilities. We are further concerned that the Solvency subcommittee's view assumes that solvency valuation standards and financial reporting standards will be the same. GNAIE believes that the total financial resources requirement should not be dependent on the accounting valuation of the assets and liabilities, although we welcome a common approach where it is possible and reasonable.

In Requirements 5 and 6, we do not think it is possible reflect the uncertainty related to all future cash flows. A solvency assessment system should reflect all material factors that could influence the possible cash flows that arise in fulfilling insurance contract obligations. Instead we recommend the wording all reasonably foreseeable cash flows. Similar qualified wording has been used in other IAIS papers.

We would be pleased to discuss our concerns with you in more detail

Sincerely,

Gideon Pell, co-chair
GNAIE Solvency Committee