



June 12, 2009

Ramon Calderon
Chair
NAIC International Solvency and Accounting Working Group

Dear Chairman Calderon:

The Group of North American Insurance Enterprises (GNAIE) understands that the IAIS will be reviewing the Draft Guidance Paper on the Valuation of Assets and Liabilities, including Technical Provisions, for Solvency Purposes and the ISAWG will be discussing its own comments at its meeting June 14. In light of that discussion, GNAIE wishes to submit the following views on the draft Guidance Paper.

Both the IAIS Solvency Subcommittee View and the draft Guidance Paper on Valuation indicate that a regulatory regime should require, for solvency purposes, valuation of assets and liabilities undertaken on a market consistent basis. 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 usefulness of a market-consistent valuation for assets and the pro-cyclical effects of such valuation bases. 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 valuation requirement for solvency purposes should not necessarily be dependent on the general purpose accounting valuation of the assets and liabilities, although we welcome a common approach where it is possible and reasonable.

It's difficult to comment too much more on this proposal since the details of exactly how the liabilities should be calculated are lacking in the Standards paper and the details which have been discussed in the Guidance paper would have to be changed to reflect our concerns. However, we would emphasize the need to coordinate the valuation requirement with the required capital requirement. The more liability is held for a particular item, the lower the required capital can be, and vice-versa.

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

Sincerely,
/s/
Gideon Pell, co-chair
GNAIE Solvency Committee

GP: mef: cll

cc: Rob Esson, Chair, IAIS Insurance Contracts Subcommittee

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