



April 28, 2010

Mel Anderson
Chairman
NAIC International Accounting Standards Working Group

via email

Dear Chairman Anderson:

We are writing to express our concerns regarding ICP 14 Standard on Valuation for Solvency Purposes. We apologize for not submitting them last week, but would appreciate the NAIC's considering our comments on this issue.

We are very concerned that this important standard may be adopted by the IAIS without its accompanying Guidance Paper. It is normal IAIS procedure for the guidance papers on a topic to proceed or to accompany the related standard. We do not see a reason for making an exception in this case, and, in fact, we see many reasons for not doing so. Without the Guidance Paper it is almost impossible to understand important parts of the standard, meaning that the IAIS will be adopting a standard the impact of which cannot be fully anticipated. While there is a draft Guidance Paper discussing these questions, substantial work needs to be done before it can be completed. We do not think it would be possible to finish the Guidance Paper before 2011.

In addition, the International Accounting Standards Board (IASB) will be releasing the Exposure Draft of its Insurance Contracts Standard in the next few months. It would be a mistake to rush through debate on these critical issues at the IAIS without considering the IASB's action at this stage.

We propose that the NAIC recommend the IAIS defer any action on the Standard on Valuation for Solvency Purposes until the IASB Exposure Draft is released and the IAIS Guidance paper is completed in 2011, providing a fuller understanding of the issues. The best solution would be to delay the Valuation Standard.

Following the last IAIS Technical Committee meeting, we were asked to provide alternative language which might clarify some of the language of concern. We have attempted to prepare suggested language for your consideration to help to reduce the ambiguity in the proposed standard; however, because there is an integral assumption in the standard that the same valuation method should be applied for life and non-life insurance, we have not been able to develop coherent changes without substantially re-writing the Standard. The issues related to valuation are very complex and we do not believe that the changes can be prepared without considerable deliberation. In addition, we believe that in the development of the proposed ICP 14 and Valuation Standard, there has been a focus on life insurance valuation to the detriment of a full consideration of non-life issues.

For these reasons, we reiterate our original request to the IAIS that the Valuation Standard be delayed until these issues can be fully explored in the Guidance Paper and, once resolved, appropriate changes are made to the Standard to reflect this fuller understanding on the valuation approach to be taken.

Jerry M. de St. Paer
Executive Chair

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We would like to ask that the NAIC International Accounting Standards Working Group consider recommending a delay in the adoption of the Standard.

Sincerely

A handwritten signature in black ink, appearing to read 'Jerry de St. Paer'. The signature is written in a cursive, flowing style.

Jerry de St. Paer

cc: Rob Esson, Chair, IAIS Insurance Contracts Subcommittee

JdSP:MEF:cll