



June 17, 2009

Mr. Rob Esson, Chairman  
IAIS Insurance Contracts Subcommittee

*Sent by email*

Dear Chairman Esson:

The Group of North American Insurance Enterprises (GNAIE) understands that the IAIS will be reviewing the Draft Guidance Paper on the Valuation of Assets and Liabilities, including Technical Provisions, for Solvency Purposes (the "Guidance Paper") at its June meeting in Taipei. In light of that scheduled discussion and following your invitation issued at the May meeting of the IAIS Insurance Contracts Subcommittee, GNAIE wishes to submit the following views on the Guidance Paper.

Both the IAIS Solvency Subcommittee view and the draft Guidance Paper indicate that a regulatory regime should require, for solvency purposes, valuation of assets and liabilities undertaken on a "Market-Consistent" basis.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 procyclical 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 IAIS Solvency Subcommittee 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 and reconcilable data where it is possible and reasonable.

It is difficult to comment too much more on this proposal since the details of exactly how the liabilities should be calculated are not available. 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-Chairman  
GNAIE Solvency Committee

cc: Robert Curtis, Chairman, IAIS Solvency Subcommittee  
Stuart Wason, Chairman, IAIS Joint Valuation Working Group  
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