

May 14, 2010

Sir David Tweedie, Chair
International Accounting Standards Board
30 Cannon Street
London EC4M 6XH, United Kingdom

Re: Exposure Draft-Measurement of Liabilities in IAS 37

Dear Sir David:

The following undersigned eight insurance trade associations appreciate the opportunity to offer comments on the exposure draft: *Measurement of Liabilities in IAS 37*(ED). Since we share similar concerns with certain aspects of the ED, this joint response reflects the significance of those concerns. In addition, some of the undersigned trade associations will provide detailed comments that the Board should also take into account before issuing a final standard.

We appreciate the recent announcement extending the exposure period to 120 days. However, we are deeply concerned with the apparent lack of due process. The ED describes the proposed changes as limited to the measurement of the liabilities. Yet the Working Draft (WD) of the new standard, which is not exposed for comment, contains changes to other sections of IAS 37 that we believe are significant. For example, the WD includes changes to the recognition criteria, paragraph 14, removing the “probable” language that, in our opinion, would have a pronounced effect on the measurement. The 7 April 2010 staff paper, *Recognising liabilities arising from lawsuits*, (“Staff Paper”) explains the staff’s view of the provisions for recognizing present obligations. However, as noted in the paper, this is not official guidance. Individual association and entity letters will detail the issues that still exist despite the clarifying intent of the Staff Paper. Consequently, we strongly encourage the Board to re-expose the entire document.

While we support the Board’s efforts to develop consistent measurement guidance across standards, we are concerned that the measurement guidance proposed in the ED has the potential to become a reference for the measurement of other types of liabilities. For example, applying the requirement to use a third party price (including profit margin) for service obligations to insurance contracts without due consideration of the nature of the measurement for those liabilities would be inconsistent with the economic reality when the reporting entity is fulfilling the obligation.

Finally, we support the development of a single set of high quality global accounting standards. However, we believe the ED, in its present form, is significantly divergent from some existing standards, which is a concern especially if the Board has not engaged in any discussion about the proposed changes with standard setters in other jurisdictions. Convergence, one of the main aims of the project, should not be diminished and every effort should be made to strive for convergence in standards where possible.

In conclusion, we recommend a re-exposure of the entire document (WD) before completing the project. In addition, we encourage the Board to discuss the details of the proposed changes with standard setters in other jurisdictions to minimize any differences.

Sincerely,

American Council of Life Insurers
American Insurance Association
Canadian Life and Health Insurance Association Inc.
Group of North American Insurance Enterprises
The Life Insurance Association of Japan
Property Casualty Insurers Association of America
National Association of Mutual Insurance Companies
Reinsurance Association of America