



February 19, 2010

The Hon. Alfred Gross
Chairman
Technical Committee
International Association of Insurance Supervisors

Dear Chairman Gross:

We, the undersigned IAIS observers, are writing to express our concerns regarding an issue before the Technical Committee next week. The Joint Valuation Working Group is presenting to the Technical Committee a draft ICP 14 Standard on Valuation for Solvency Purposes. The Working Group is requesting that the Technical Committee approve this standard for final consultation with the goal of adoption by the IAIS Annual General Meeting in October 2010.

We are very concerned that this important standard is moving ahead without its accompanying Guidance Paper. Without the Guidance Paper it is almost impossible to understand the standard, meaning that the IAIS will be adopting a standard the impact of which cannot be fully explained. Just for purposes of illustration, a few of the terms needing definition are: consistent (14.2), transparent (14.3), economic valuation (14.4), and risk-adjusted (14.5). While there is a draft Guidance Paper discussing these questions, substantial work needs to be done before it can be completed. In addition, the International Accounting Standards Board will be releasing its 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 without considering the IASB's action at this stage. We do not think it would be possible to finish the Guidance Paper before 2011, so the best solution would be to delay the Valuation Standard.

It is has been 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. We would ask that the Technical Committee defer any action on the Standard on Valuation for Solvency Purposes until the Guidance paper is completed in 2011 and there is a fuller understanding of the issues.

Sincerely,

American Council of Life Insurers (ACLI)
Blue Cross Blue Shield Association
Group of North American Insurance Enterprises (GNAIE)
National Association of Mutual Insurance Companies (NAMIC)
Property Casualty Insurers Association of America (PCI)
Reinsurance Association of America (RAA)

cc: Monica Maechler, Vice Chair Technical Committee; Yoshi Kawai
Stuart Wason, Chair IAIS Joint Valuation Working Group; Rob Esson, Chair IAIS Insurance
Contracts Subcommittee; Rob Curtis, Chair IAIS Solvency Subcommittee

cc: NAIC Executive Committee Members: Jane Cline, Kevin McCarty, George Brady;
Mel Anderson, Chair NAIC International Accounting Working Group; Ramon Calderon