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NORTH INSURANCE INDUSTRY URGES IASB TO RECONSIDER SINGLE ACCOUNTING MODEL FOR LIFE AND NON-LIFE INSURANCE CONTRACTS

NEW YORK, June 4 – The Group of North American Insurance Enterprises (GNAIE), an association representing the Chief Financial Officers of major life insurance companies in Bermuda, Canada, and the United States, joined with four other insurance industry trade associations based in North and South America, representing substantially all of the North American and Chilean property and casualty business, to urge the International Accounting Standards Board (IASB) to reconsider its decision to apply a single measurement model to both life and non-life insurance contracts and instead utilize the existing global accounting standard for non-life contracts which they said currently facilitates the timely, transparent conveyance of critical information to investors and other financial statement users.

In a June 1 letter sent to both the IASB and the Financial Accounting Standards Board (FASB), the associations said: “We are concerned with the potential loss of decision useful information that would accompany the migration to a single model for life and non-life insurance contracts. We are equally concerned that the proposed single model is neither supported by established actuarial practice nor validated by empirical evidence, but is based instead largely on theoretical hypotheses.”

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To influence the development of international accounting and solvency standards to ensure that they result in robust, high quality standards for insurance enterprises.

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The insurance industry associations further stressed that “Given the size, scope, and importance of the global non-life insurance market, we consider the Boards’ current direction risky and ask that they reconsider their proposals affecting the accounting and reporting for non-life insurance before completing, voting on, and publishing their respective Exposure Drafts for insurance contracts.”

GNAIE also praised the decision by the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) to modify the timeline of the completion date of the convergence work plan for international accounting standards so it can provide additional time for broad-based stakeholder participation.

The associations called on the IASB to use the existing global accounting standard for non-life insurance contracts with a coverage period of one year or less with the inclusion of several attributes:

- A UPR, or Unearned Premium Reserve, for pre-claim liabilities during the coverage period;
- Actuarially determined best estimates for incurred claims (both reported and unreported);
- Claim reserves reported at undiscounted expected settlement amounts unless claims are fixed and determinable on an individual claim basis, and
- No explicit risk margins included in claim reserves

The letter was signed by the American Insurance Association, Asociación de Aseguradores de Chile, Group of North American Insurance Enterprises, National Association of Mutual Insurance Companies and the Property Casualty Insurers Association of America.

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The goal of GNAIE is to influence international accounting standards to ensure that they result in high quality accounting and solvency standards for insurance companies and, to that end, to increase communications between insurers doing business in North America and international regulators and standard setters. GNAIE works to meet its goals through modeling of proposed accounting standards, analysis, comment and coordination with various end users of financial reports.

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