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**Douglas Wm. Barnert**  
Executive Director

**GNAIE**

Group of North American Insurance Enterprises  
40 Exchange Place, Suite 1707  
New York, NY 10005  
UNITED STATES

May 19, 2008

Ms. Nancy M. Morris  
Federal Advisory Committee Management Officer  
Securities and Exchange Commission  
100 F Street N.E.  
Washington, DC 20549-1090

RE: Progress Report of the Advisory Committee on Improvements to Financial Reporting, Release No. 33-8896, File No. 265-24

Dear Ms. Morris:

The Group of North American Insurance Enterprises ("GNAIE") thanks you for the opportunity to comment on Developed Proposal 1.1 as set forth in the Progress Report of the Advisory Committee on Improvements to Financial Reporting. GNAIE consists of the Chief Financial Officers of 16 leading insurance companies including life insurers, property and casualty ("non-life") insurers, and reinsurers. GNAIE members include companies that are among the largest global providers of life and non-life insurance and reinsurance products.

We agree with the general precept that GAAP should be based on business activities rather than industries. That said, the body of industry-specific accounting and financial reporting guidance that exists today was principally developed out of a need to provide guidance to support the consistent application of generic activity-based accounting standards to highly specialized industry-specific transactions. Without this specific guidance it would be left to the accounting firms to interpret how to apply the general guidance and this could lead to inconsistent application of the accounting guidance. Accordingly, the benefits of industry-specific accounting and financial reporting guidance accrue to both financial statement preparers who are provided clarity in how to apply generic accounting and reporting principles as well as financial statement users who benefit from that consistent application since it allows for a higher level of comparability and understandability.

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For instance, as it relates to the potential application of FASB Statement No. 159 *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115* to insurance contracts within its scope, we believe it would be necessary to provide insurance industry specific guidance as to how to apply FASB Statement No. 157, *Fair Value Measurements* (“SFAS 157”) to insurance contracts. More specifically, because of the unique nature of insurance contracts and the absence of any market on which they are traded we believe “settlement value” or “contract fulfillment value” (both in the context of a settlement with the customer pursuant to the terms of the underlying contract and not via a transfer) should be considered the exit price for Level 3 liabilities when there is no ability to transfer the contracts and the only way to extinguish the liability is by performance or settlement (i.e., fulfilling the contract pursuant to its terms with the policyholder).

Industry specific guidance in the preceding instance would be useful inasmuch as it may conclude that “settlement” or “contract fulfillment” value is the appropriate measurement basis in SFAS 157 because exit value, as described in SFAS 157, is based on the “principal market”. Accordingly, since the principal market for insurers is one in which contracts are “settled with customers pursuant to their terms” and not transferred to third parties (an outcome that is generally not possible without the pre-approval of regulatory authorities), settlement or contract fulfillment value is the most appropriate measurement basis.

In our view, the preservation of much of the existing industry specific accounting and financial reporting guidance is essential as is the development of future industry-specific guidance as the complexity of transactions in highly specialized industries such as insurance will, in all likelihood, continue to proliferate over time. Accordingly, if general purpose financial statements are to remain comparable and understandable, industry-specific application guidance will need to be retained, and updated as necessary.

We thank you for the opportunity to share our views on the suggested de-emphasis of industry-specific accounting and financial reporting guidance and will make ourselves available to discuss our views in more depth. In addition, please advise us if we might be of further assist as you develop your final report and recommendations, including participation in any future discussion forums that address the issue of industry-specific accounting and financial reporting guidance.

Please direct all communications to Douglas Wm. Barnert, GNAIE Executive Director, at [doug.barnert@gnaie.net](mailto:doug.barnert@gnaie.net).

Sincerely,

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

Jerry de St. Paer  
Senior Vice President Finance, AIG  
Executive Chairman, GNAIE

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