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Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549-1090
Transmitted Via E-mail: rule-comments@sec.gov

Re: Proposed Rule – *Roadmap for the Potential use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers*

The American Insurance Association ("AIA") is pleased to provide the following comments with respect to the proposed rule referenced above. The AIA is a leading property-casualty insurance trade organization, representing 350 insurers that write more than $123 billion in premiums each year. Many of AIA's members are registrants of the Securities and Exchange Commission ("SEC"), some of whom have multinational operations, while others concentrate their operations within certain regions of the United States. All of our SEC registrant members are interested in the financial reporting requirements that would be created under the proposed Roadmap.

At the outset, it should be stated that AIA agrees, at least conceptually, that a single, uniform set of high quality global accounting standards would produce many benefits, such as enhanced comparability of companies and industries; a higher confidence level in financial statements; greater international cooperation among regulators; and less complexity in financial reporting for multinational companies. However, AIA member companies are concerned with various aspects of the proposed rule and the proposed Roadmap. Although International Financial Reporting Standards ("IFRS") have begun to be adopted by many countries and jurisdictions, differences exist in the application, interpretation and enforcement of IFRS, with instances of local regulators and legislators allowing for exceptions and "carve outs". Without a global mechanism in place to compel adoption of, and conformity with, IFRS as promulgated by the International Accounting Standard Board ("IASB"), AIA is concerned that the goal of a uniform set of high quality global accounting standards will remain elusive. If uniformity cannot be achieved, AIA questions the rationale of switching the United States from a highly developed financial reporting framework to one that is less developed, especially with respect to insurance.

Generally Accepted Accounting Principles in the United States ("U.S. GAAP") has developed as the result of considering particular economic developments and the unique legal culture and regulatory environment in the United States. Given the differing legal systems and the parochial needs of the nations around the world, it is not difficult to understand why individual countries have modified IFRS to suit their specific circumstances. Thus, it may not be realistic or practical to push for or expect a single global set of uniform accounting standards. And if this statement is true, it begs the question of what the appropriate goal of the Roadmap proposal should be.

For the U.S. insurance industry, U.S. GAAP provides a robust set of standards that cover all segments of the industry. The IASB, on the other hand, continues to work on developing an appropriate insurance accounting and reporting standard that, hopefully, will reflect the legal and business constraints under which the insurance industry must operate in various jurisdictions throughout the world, including the United States. The pooling and spreading of risk are fundamental characteristics of the insurance business model, and are already reflected in U.S. GAAP. A new insurance accounting standard must reflect these fundamental characteristics of the insurance industry. AIA recommends that the SEC re-evaluate the Roadmap and consider alternative approaches for moving toward a global set of accounting standards, with the understanding that a global set of standards must recognize the very real economic and legal differences among countries.

An obvious alternative that the SEC should consider and evaluate is the ongoing convergence project between the Financial Accounting Standards Board ("FASB") and the IASB. This project allows the two boards to compare and contrast their respective standards and to identify superior approaches that would yield high quality standards for both U.S. GAAP and IFRS purposes. This approach would allow consideration of standards that are appropriate for the U.S financial and legal system. Rather than arbitrarily imposing one set of standards over another, the SEC may wish to facilitate the convergence efforts of the two boards.

Although AIA agrees with the concept of global uniformity of accounting standards, we remain skeptical that the Roadmap, as proposed, can ultimately achieve that goal. Plus, uniformity may be an illusory goal, given the differences in legal structures and market realities among the countries of the world. We strongly urge the SEC to re-evaluate and re-articulate the objectives of the Roadmap, with the following considerations in mind:

1. Given the differences in individual countries' business cultures and legal systems between individual countries, one uniform set of global accounting standards may not be achievable;

2. The Roadmap should incorporate convergence efforts of the FASB and IASB and establish specific convergence objectives that must be met in order to make a decision on whether to adopt/mandate IFRS; and

3. The timing of any changes to the U.S. accounting and reporting framework must consider the costs and lead time involved with implementation, and give due regard to the exigent financial crisis that has frozen markets in the United States and around the world.

If after re-evaluating this Roadmap – including a review of the joint FASB/IASB convergence project and other alternatives – the SEC concludes that adoption of IFRS is the best approach for achieving global accounting standards, it should then adopt a reasonable plan and timeline that also includes achievement of critical milestones and adequate preparation time from the point a decision is made to the point reporting would be mandatory under IFRS.

If the SEC decides to pursue IFRS conversion, there are many more issues that should be addressed and the appendix to this letter has identified some of them for the SEC's consideration.

AIA hopes our suggestions are helpful in developing a document that will provide clear guidance to both the SEC and its constituencies. Thank for this opportunity to comment, and certainly feel free to call on the AIA if you have any questions.

Sincerely,

Phillip L. Carson
Assistant General Counsel

APPENDIX

We do not offer an opinion as to the adoption or rejection of IFRS, but encourage the SEC to re-evaluate the objectives of the Roadmap in light of the considerations provided in our letter. If the SEC decides to move forward on adopting IFRS, this appendix provides specific comments that AIA members have expressed in response to the Roadmap proposal. The following discussion is presented from the perspective of adopting IFRS, since that is the focus of the current Roadmap proposal.

Specific Areas of Concern to Consider Before Adopting IFRS.

Timing.

From a broader perspective, implementation under the proposed Roadmap is problematic because it does not provide sufficient preparation time between the date of the 2011 final decision by the SEC on whether to adopt IFRS, and the date when IFRS would be mandatory. In order to provide three years of comparative data, registrants would need to be IFRS compliant by January 1, 2012. However, AIA believes that a minimum of two years would be necessary to develop appropriate accounting policies, to modify the financial reporting systems, and to implement effective internal control procedures for accumulating IFRS information for the opening balance sheet of the first year of the three year comparative period. Since the SEC's decision could occur at any point during 2011, even late in the year, the first period of comparative data, as a practical matter, should not begin any sooner than January 1, 2014, assuming the SEC decides to go forward with IFRS. Thus, mandatory implementation should not occur any sooner than the Form 10-K reporting for fiscal years ending on or after December 31, 2016.

The current proposal takes a cart-before-the-horse approach by establishing a mandatory implementation date before the SEC has evaluated the milestone measurements. An evaluation of the milestones should occur first; the conclusions that arise from that evaluation should drive the decision on whether to mandate IFRS and, if applicable, the determination of an implementation date. If the SEC is unable to make decisions today on essential elements for the conversion to IFRS (i.e., the milestones), it should not yet decide on an implementation date.

As part of its re-evaluation of the Roadmap proposal, the SEC should identify those milestones that are critical to making a decision on mandating IFRS, and then set a timeframe for assessing the achievement of those milestones. The Roadmap should then outline the specific steps to be accomplished between the decision to mandate and the first mandatory reporting date. A decision and specific implementation timeline are critical in order for companies to effectively plan for and execute conversion to IFRS.

The FASB has recently joined the IASB's Insurance Contracts project and the current project plan calls for an IFRS insurance standard to be developed by 2011, with implementation targeted for 2013. If, however, the SEC decides to mandate IFRS, the timeline for implementation of a new IFRS standard on insurance contracts must be adjusted to coincide with any timeline for conversion to IFRS. The insurance industry would be unable to prepare for the changeover to IFRS if it does not know what the insurance standard will be well in advance of conversion. Therefore, we urge the SEC to enforce a moratorium on adoption of a new IFRS insurance standard during any implementation timeframe.

Further, the specific implementation steps should include a moratorium on the issuance of additional accounting pronouncements during the implementation and transition period to IFRS. A fixed IFRS benchmark is necessary to allow companies sufficient time to adjust their general ledger and reporting systems. Frequent changes in accounting standards during the transition period would make implementation too cumbersome and too costly.

Global Enforcement.

The Roadmap does not address the role that the SEC would play within a new IFRS-based financial reporting framework. AIA believes the SEC and its counterpart agencies around the world would need to develop a comprehensive approach for monitoring and enforcing IFRS compliance in all countries. If the world's governments are not willing to bind themselves to one global set of standards, then there is no reason for the United States to do so.

On the domestic level, the SEC must also consider how its approach to rule-making and its oversight of the securities market must adjust in an IFRS environment. A common criticism of U.S. GAAP, including SEC guidance, is that it is too rules-based. Although Section V of the proposed Roadmap refers to changes within many of the SEC reporting rules, the proposed amendments do not recast the reporting rules as principles-based guidance. As registrants review their own requirements for adapting to IFRS, AIA recommends that SEC staff conduct a similar top to bottom review of SEC regulations and report on the changes that must be made within the SEC in order to adapt to a principles-based environment. After such review, the commissioners should have a thorough philosophical discussion with its constituencies as to whether the recast framework is suitable for the U.S. financial reporting environment.

The Roadmap should also address the continuing role, if any, of the FASB in a post-IFRS adoption environment. Would FASB define IFRS as the new U.S. GAAP? How would the FASB be expected to interact with the IASB in maintaining a consistent IFRS framework? Since the Roadmap proposes adoption of IFRS as promulgated by the IASB, why would it be necessary for the FASB to be involved? These are key questions that have not been addressed by the proposed Roadmap.

Additionally, in deliberating the role of the FASB, the SEC will have to be mindful that many U.S. GAAP preparers are not SEC registrants and who, therefore, would not be subject to the IFRS reporting requirements if they are not promulgated by the FASB. AIA recommends that the SEC clarify the expected role of the FASB if IFRS were adopted in the United States.

Training and Education.

Discussion of the training and education milestone creates a *Catch-22* loop:

- Training and education of accounting and auditing professionals, as well as future professionals, is critical to a sustained transition to IFRS.
- Registrants, accounting/auditing professionals and academic institutions are not likely to commit substantial resources to training and education without a date-certain for implementation of IFRS.
- A date-certain for implementation should not be established until there are plans to develop sufficient training and education to support a switch to IFRS.

This conundrum of logic suggests that training and education milestone is critical, and requires more thought and involvement by a wider constituency. AIA believes that the SEC must engage in focused discussions with, at a minimum, the academic community and the accounting profession to clearly identify the goals of switching to IFRS; to assess the relative costs and benefits of making such a change; and to determine a realistic timetable for transitioning education expectations to include IFRS. We also note that a long-term convergence between IFRS and U.S. GAAP, rather than a wholesale adoption of IFRS, would allow for the training and education to keep pace with the changes.

Early Adoption.

As stated in our letter, AIA believes the Roadmap should focus on the convergence efforts of the FASB and IASB. If, however, the SEC decides to pursue adoption of IFRS, it must also consider whether early adoption is appropriate, given the need to identify and assess critical milestones. If anything, the proposed Roadmap appears to discourage early adoption, suggesting perhaps that early adoption should not be allowed. As proposed, the early adoption provisions are inconsistent with a timely evaluation of critical milestones. In addition, the early adopter would be required to maintain dual sets of records (U.S. GAAP and IFRS) indefinitely. The early adoption eligibility criteria are unnecessarily complex and vague, given the uncertainty of the industry group determination and the fact that market capitalization will always change. The no-objection letter requirement is not helpful and provides little value to the early adopter, especially since the SEC could ultimately decide to remain with U.S. GAAP. The possibility of reversion to U.S. GAAP would be a significant deterrent to early adoption.

Still, the availability of a pool of registrants that have early adopted IFRS could be an important tool for evaluating the Roadmap's milestones. If the purpose of early adoption is to help the SEC, preparers and auditors gain additional experience in applying IFRS before achieving the milestones, a more streamlined approach would be to simply expand upon the existing base of companies that are already permitted by the SEC to file IFRS financial statements, such as foreign multinational companies. For example, the U.S. GAAP-based affiliate of a multinational IFRS-based company could be added to the pool of IFRS filers. A parent entity that prepares IFRS-based financial statements should be allowed to report all its subsidiaries on the same basis, in order to achieve comparability of financial reporting within the consolidated group. If not, these entities must continue to maintain dual accounting systems, which is inefficient and costly. However, it should be emphasized that companies may still be reluctant to voluntarily adopt IFRS if the potential for reverting to U.S. GAAP is uncertain.

Implementation Issues.

The timing between a decision to mandate IFRS and the first mandatory reporting date must allow companies time for adequate planning and preparation for conversion. There are a number of implementation issues that need to be addressed during this period. SEC registrants must comply with the Section 404 requirements of the Sarbanes-Oxley law. The changes to company reporting systems – such as changing the chart of accounts and ledger systems, developing new accounting policies, and modifying corporate governance procedures – would be extensive. Companies will need to thoroughly test these changes to ensure management can attest to the effectiveness of internal control procedures over a new IFRS-basis financial reporting structure.

The auditing community will also need to evaluate management's attestations, as well as opine on the fairness of the financial statements. Extensive preparation will be necessary to develop applicable audit standards for opining on management's attestation and the audit of the financial statements. The Roadmap should address the audit considerations by identifying the steps the SEC must take to assure itself that the necessary audit guidelines can be in place within a given timeframe

Furthermore, many legal agreements with vendors, customers and creditors may need to be amended because of references to U.S. GAAP measurements. Other company metrics that are based on U.S. GAAP concepts, such as compensation metrics, would also need to be adjusted. These detailed changes will be time consuming and expensive. All of these concerns should be considered by the SEC.

In addition, many industries, such as the insurance industry, are subject to extensive regulatory oversight and regulatory reporting. Insurance regulators focus on solvency of the insurer and its ability to meet claimants' obligations. Its primary focus is not on the investor, but on the policyholder – and that creates a natural tension with investors. Regulatory reporting starts with U.S. GAAP standards, but makes adjustments to them in order to reflect the regulatory objective of protecting policyholders. Any changes by the SEC should consider regulatory impacts and provide for an adequate time period to allow adjustments within the regulatory framework.