September 24, 2007

Nancy M. Morris
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

RE: File Number S7-13-07

Thank you for the opportunity to comment on your proposed rule, *Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance With International Financial Reporting Standards Without Reconciliation to U.S. GAAP* (34-55998). GNAIE was formed in 2003 by the Chief Financial Officers of the leading North American insurance companies including life insurers, property and casualty insurers, and reinsurers. GNAIE members are among the largest global providers of insurance and substantial multi-national corporations.

The goals of GNAIE include working with accounting standard setters to ensure their activities result in robust, high-quality accounting standards for insurance companies, and, to that end, increasing communication between North American insurance enterprises and domestic and international accounting 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. We appreciate the opportunity to comment on the proposed rule and we request an opportunity to speak at any public hearings that are held after comments are received.

Convergence and Reconciliation

- **GNAIE supports the end of reconciliation as a step towards the ultimate convergence of accounting standards to a single set of global standards. Mandating the English language version of IFRS published by the IASB in the new SEC rule would promote consistency and lower analyst costs.**
    - **The ultimate goal needs to remain a single set of standards. The goal of the process has been to eliminate the market inefficiencies imposed by varying accounting standards.**

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- **The end of reconciliation should not be an end in and of itself. Rather, the end of reconciliation should be a step in the process of convergence.**

With the markets for capital and insurance becoming increasingly global, multiple, inconsistent accounting standards create a market inefficiency and a barrier to trade. Therefore, GNAIE supports the elimination of the reconciliation of International Financial Reporting Standards (IFRS) to U.S. GAAP (the Reconciliation) as a step towards the ultimate goal of convergence of accounting standards to a single high quality set of global standards. The mechanics of and process for implementing this Proposed Rule should further that goal.

There do not appear to be any specific incentives in the Proposed Rule that compel continued progress towards convergence. We fear that without mechanisms to compel convergence, the process will stop. Therefore, we urge that the Proposed Rule include such mechanisms recommended below.

We, as significant investors (users) as well as financial statement preparers, do not believe that a non-binding commitment to work towards convergence in certain areas is sufficient to ensure the goal of convergence will be achieved. Nevertheless, the Memorandum of Understanding between the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) and the joint projects processes seem to be working to eventually achieve equivalence (two separate standards that are equally acceptable).

However, GNAIE does have apprehension over the possible market disadvantanges caused by non-U.S. enterprises having an option to select the accounting basis used in filings, while U.S. companies do not have a similar option. We are greatly concerned that, if the Reconciliation is eliminated and convergence ceases, foreign filers would be able to select between two bases of accounting that may vary significantly. We are also concerned with the possibility that international accounting and solvency standards are being established with market advantage as an objective and investors and policyholders could ultimately suffer if differing standards and standard setting processes persist.

If convergence is to be achieved, careful consideration will be needed regarding the standard-setting process in a converged environment. This includes the responsibility and authority of the FASB. In addition, the oversight role of the SEC needs to be well defined. The SEC's goals and responsibilities with regard to accounting standards in a converged environment should be considered as the Proposed Rule is deliberated.

The IFRS Insurance Contracts Standard

- **The current IFRS for insurance contracts (IFRS 4) is not a comprehensive insurance contracts standard, given that it does not deal with the recognition and measurement of insurance contracts. IFRS 4 instead permits insurers to use their existing accounting practices (often their local GAAP) until a comprehensive Phase II insurance contracts standard is completed.**
    - **A comprehensive insurance standard is of critical importance to the completeness of IFRS as an acceptable accounting basis on which to prepare reliable, relevant and comparable insurance entity financial statements.**
    - **The "*use of existing accounting practices"* as an insurance standard does not promote comparability.**
    - **The SEC in its recent evaluation of issuers who filed reconciliations to US GAAP, specifically identified the accounting for insurance contracts an area where there was "substantial variation in accounting practices" for IFRS reporters.**

For insurance contract liabilities, whether IFRS is widely used is not the relevant question. IFRS No. 4 *Insurance Contacts* (IFRS 4) does not establish one standard for the recognition or measurement of insurance contract liabilities. Instead, IFRS 4 allows an insurer to continue to use the basis on which it has been accounting for insurance contracts prior to adoption of IFRS (i.e., local country GAAP). This issue was highlighted in the July 2, 2007 *SEC Staff Observations in the Review of IFRS Financial Statements* which stated that "we noted substantial variation in accounting for insurance contracts and in the reporting of extractive industry exploration and evaluation activities in the absence of an extensive standard in IFRS for these activities, and raised comments as appropriate." Given that the measurement of insurance contract liabilities are the most important element of the financial statement of an insurance entity, IFRS 4 and accompanying principles are not yet a comprehensive or global standard for insurance. Based on the IASB workplan, it is not expected that a standard for insurance contracts will be implemented before 2010.

- **The tentative conclusions in the IASB discussion paper for insurance contracts do not resolve the situation. They may, in fact, further decrease the comparability between the FASB and IASB standards.**

The accounting in the Discussion Paper is significantly different from US GAAP. The Discussion Paper accounting model is largely hypothetical, not field tested, and dissimilar from current global practice, particularly for non-life companies. If insurance enterprise financial statements were prepared under the proposed accounting, they would not be easily comparable to those prepared under current US GAAP.

The US FASB has recently issued an Invitation to Comment (ITC) soliciting input as to whether the FASB should add a Joint IASB/FASB Insurance Contracts Project to its agenda, and whether the project should use the IASB Discussion Paper as a starting point. GNAIE is reviewing and will provide comments on the ITC. While GNAIE supports a joint effort towards convergence we have serious concerns about the accounting proposed in the Discussion Paper and are working actively to provide the IASB and FASB with comments and alternatives to improve the proposal.

Based on the issues noted above, we ask the SEC to consider requiring the compensating mechanisms suggested below. These recommendations would provide the SEC, analysts and other users with vital information to enhance the comprehension of insurers' IFRS-based financial statements, and will tend to further convergence efforts, while allowing a substantial end to reconciliation.

Suggested Mechanisms

- **Mechanisms and provisions should be included in this Proposed Rule that would enhance investor protection and further convergence efforts in the area of insurance accounting. Some or all of the options below would help achieve this:**
  - **Require that the insurer be a "well-known seasoned issuer";**
  - **Require that the SEC first determine based on filed reconciliations that the basis of accounting for insurance contracts is one that is familiar and accessible to analysts;**
  - **Require insurers to timely file a separate narrative statement that describes:**
    - **The basis of accounting for insurance contracts;**
    - **How its principles differ from US GAAP; and,**
    - **The process by which it could be reconciled to US GAAP;**
  - **Require reciprocal treatment from non-U.S. jurisdictions (i.e., allowing U.S. enterprises to file U.S. GAAP financial statements); or,**
  - **Permit US companies to file IFRS based financial statements in the US.**

Jurisdictions that have significant insurance markets as well as well-known insurance enterprises have developed methods to assist analysts understanding local GAAP compared to U.S. GAAP. The SEC should also consider requiring from insurance entities a narrative statement describing a process for reconciling IFRS to U.S. GAAP. The SEC would then be able to work with issuers and analysts to improve and standardize those statements and the underlying accounting. A requirement for reciprocal treatment for U.S. companies, and the ability of U.S. companies to file in IFRS would encourage further convergence efforts.

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The narrative requirement could also be continued after the adoption of any new international insurance accounting standard to assist analysts' comprehension of the difference between the new model and U.S. insurance accounting standards. The SEC should also carefully monitor the progress and convergence of the Insurance Contracts Project to ensure that any new insurance accounting model achieves the objectives of U.S. financial reporting, before ending any additional requirements recommended above.

Due Process of the IASB

- **The due processes of the IASB need to better reflect the enormous effects that accounting standards have on wealth, the economy and the markets. Examples of improvements would include:**
    - **Effective mechanisms of oversight by securities regulators.**
    - **Requirements for objective proof that**
        - **The benefits of new standards outweigh the costs;**
        - **New standards are an improvement over current practice;**
        - **New standards achieve the objectives of improved financial reporting.**
    - **Requirements that the IASB receive and respond to stakeholder input, including at the beginning of the proposal process. Also, that the IASB end preferences for stakeholders subject to IFRS.**

GNAIE is concerned that the relationship between the IASB and the SEC upon adoption of the Proposed Rule will set precedents for their relationship at the point of convergence to a single standard and beyond. We encourage the SEC to carefully consider the means and methods by which the SEC will ensure that standards generated by the IASB will meet the SEC's statutory obligations. This includes how US companies will be afforded the due process required of regulations (i.e. accounting standards) that directly effect a US entity's economic value and our standing in the capital markets.

The importance of the IASB's standards mandates a standard-setting process based not only on theory and affirmation, but also on qualitative and quantitative proof. That proof should objectively demonstrate that the benefit outweighs the cost of a proposal, that a proposal is more effective than current practice and that a proposal achieves the goals of a high quality accounting standard. The Trustees of the International Accounting Standards Committee Foundation (IASCF) have recognized this issue in calling for the IASB to complete a cost benefit analysis and a response to comments received prior to the proposal of a standard. These suggestions are a positive step and should be implemented as soon as practicable.

Practical considerations and alternative viewpoints are better received and integrated at the beginning of the process than after standard-setters accept a tentative position. Efforts should be enhanced to receive and integrate input from all stakeholders in the proposal development stage.

However, as anyone who has used the “notice and comment” process knows, simply providing input does not assure that your advice will be heeded or communicated. While independence is necessary to ensure that the resulting standards are free from bias, it is not a substitute for consideration of stakeholder input or thorough, objective evidence that proposed standards are necessary improvements to financial reporting.

The Commission could always derecognize IFRS if problems were acute, but doing so would cause a significant market disruption. The Commission should consider whether other intermediate mechanisms are needed to insure that standards set by the IASB in the future meet the goals of US regulators. Suggestions include agreement with the IASB for:

- Required response
- Required consultation
- Endorsement (similar to the EU requirement)
- Amendment
- Appeal
- Required field testing and objective analysis of;
    - Cost v. benefits
    - Improvement over existing standards
    - Achievement of a high quality standard
- Increased requirement for consensus at the IASB

The SEC should also coordinate interpretations with the IASB and other regulators as much as possible. To the extent the local regulators are willing to share the details of problematic issuers, the International Organization of Securities Commissions (IOSCO) information sharing process should work to help the SEC and IASB identify problems with application of IFRS. These and other processes for oversight could be managed through the IOSCO in order to generalize the concerns and level the global playing field. We do applaud the recent opening of certain IOSCO meetings to the public. We would also note that, if the IOSCO becomes an oversight body for the IASB, its meetings and process would need to become more open to observation and input from the public as well.

Finally, the adoption of the Proposed Rule (with its companion on accepting IFRS from US entities) should end any questions regarding the interest of US and North American entities in the activities and deliberations of the IASB. Given the direct impact of the Proposed Rule on our capital markets and the effect of an ultimate global standard, the IASCF and IASB should commit to providing US and North American enterprises greater access to advisory groups, roundtables and staff consultations, and end preferences based on adoption of IFRS.

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While we support the end of reconciliation as a step towards convergence, we believe that reasonable criteria for the complete end of reconciliation for insurance contracts have not been met. The end of reconciliation for insurance contracts should be tied to assurances to investors and market participants that the statements filed meet the goals of investor protection. The end of reconciliation should be undertaken in a fashion that encourages continued progress towards a converged high quality standard.

Again, we thank the SEC for the opportunity to comment and we look forward to the opportunity to work with you on all of these very important issues.

Sincerely,

Jerry de St. Paer

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