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

Re: File Number S7-13-07-*Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP*

The American Council of Life Insurers (ACLI) appreciates the opportunity to offer our views on the SEC exposure draft *Acceptance From Foreign Private Issuers of Financial Statements Prepared in Accordance with International Financial Reporting Standards Without Reconciliation to U.S. GAAP.* The ACLI is the principal trade association of life insurance companies, representing 373 members that account for, in the aggregate, 93 percent of the total assets, 91 percent of the life insurance premiums, and 95 percent of annuity considerations in the United States.

As a large trade organization, we have member companies that represent many different interests including those of domestic filing organizations, non-public companies and foreign private issuers. Also, within our organizations we have large investment departments that invest owned assets as well as provide a varied amount of investment advisory services to other institutions and private investors. We believe that this foundation, uniquely qualifies us to provide a balanced response to the proposed rule that captures both preparer and user needs.

Summary

We would like to lead our response by reiterating our general support for convergence. The ACLI has long held the position that managing toward a single high quality, principles-based accounting model should be the priority of all regulatory agencies, including the Securities Exchange Commission (the Commission). We are pleased that, with the issuance of this release, the Commission states its support for convergence and its desire to continue to push for convergence among the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB).

We further believe, though, that while convergence is a worthwhile goal, it is still very much in its early stages. There remain material differences between International Financial Reporting Standards (IFRS) and U.S. GAAP. For example, the IFRS accounting related to insurance contracts are not fully developed and have been implemented in a two phase process. During Phase I, IFRS 4, *Insurance Contracts,* was adopted that provided certain requirements in the areas of unbundling of embedded derivatives, liability adequacy testing and impairment testing of reinsurance assets, but allows companies to continue their previous home country GAAP accounting policies and thereby use non-uniform accounting policies for insurance contracts and related deferred acquisition costs. IFRS 4 does, however, require full disclosures of the policies that are followed. While the IASB has issued a discussion paper on its preliminary views on accounting for insurance contracts and the FASB has issued an invitation to comment on making this a joint project, we still remain several years away from a comprehensive, high quality standard.

Therefore, we would like to make certain that the Commission acknowledges the extent of work and the amount of time necessary for convergence. And furthermore, that the work and effort necessary to achieve convergence is of paramount importance to having an effective accounting and regulatory environment. We are concerned that the current proposed release does not go far enough in insuring that the diligent effort around convergence continues after its implementation.

As for the substance of the proposed release, we generally support the Commission's recommendation to eliminate the reconciliation for FPIs. While we are not using this support as an endorsement of IFRS as the converged international standard, we are recommending that the reconciliation be eliminated for the vast majority of entities until a high quality converged international standard can be created, since it is currently adding limited tangible value to the user community that we represent and interact with on a regular basis.

As financial statement preparers, the FPIs in our organization receive very few inquiries on information included in the reconciliation. Most analysts covering the companies are either well-versed in IFRS or are analyzing the results on a basis other than U.S. GAAP or IFRS. This was consistent with the investment departments within our own organizations that are making buy and sell decisions on stocks and bonds issued by FPIs. They are currently not relying on the data provided by the reconciliation and are largely indifferent as to whether or not it is included in the filing. As such, we mostly support its elimination. We acknowledge, though, that our experience relates primarily to our own interaction with analysts, rating agencies and our own view as institutional investors. We cannot comment to the extent others may be using the reconciliation, in particular, retail investors that have minimal interaction with company management.

We would recommend the Commission give consideration to the possibility of a limitation to the eligibility for eliminating the reconciliation. We believe that the absence of a comprehensive converged international standard for the accounting of insurance contracts could be viewed as a deficiency within IFRS. While extensive disclosure and minimum standards required under IFRS 4 significantly mitigates this deficiency, we believe that there should be a limitation for the eligibility to eliminate the reconciliation to only include "well-known seasoned issuers" as defined in Rule 405 under the Securities Act[17CFR 230.405]. As a result, a small population of insurance entities that are new filers and new entrants into the U.S. markets would still be required to prepare the reconciliation until such time as they reach well-known seasoned issuer status. Such a limitation will ensure that insurance entities have a common basis with which to compare financial results. We believe that this issue is largely limited to the insurance industry and will be resolved upon the adoption of a comprehensive insurance standard by the IASB.

In conclusion, the ACLI supports the elimination of the reconciliation for most filers. We would like to see more support and a tangible commitment of the Commission as it relates to the substantial effort of convergence incorporated into the final release, especially as it relates to the need for an international standard for insurance contracts. We believe that this effort is of critical importance and that by removing the reconciliation and permitting the acceptance of IFRS financial statements, there is a risk of some complacency regarding the convergence effort, at least as it relates to non-U.S. entities. This risk needs to be mitigated prior to proceeding with the final release.

In addition, we are providing responses to selected questions raised in the exposure draft that are relevant and significant to our members.

Question 2:

a. Should convergence between U.S. GAAP and IFRS, as published by the IASB, be a consideration in our acceptance in foreign private issuer filings of the financial statements prepared in accordance with IFRS, as published by the IASB, without a U.S. GAAP reconciliation?
b. What are commenters' views on the processes of the IASB and the FASB convergence?
c. Are investors and other market participants comfortable with the convergence to date, and the ongoing process for convergence?
d. How will this global process, and, particularly, the work of the IASB and FASB be impacted, if at all, if we accept financial statements prepared in accordance with IFRS, as published by the IASB, without a U.S.GAAP reconciliation?
e. Should our amended rules contemplate that the IASB and the FASB may, in the future, publish substantially different, final accounting standards, principals, or approaches in certain areas?

Response:

The decision to eliminate the reconciliation between IFRS and U.S. GAAP should be based on the quality of IFRS standards in existence, not the convergence of the two bases of accounting. IFRS comprises a comprehensive body of accounting standards, developed through a robust and transparent process. This conclusion is evidenced by financial statement users' willingness to accept financial statements prepared in accordance with IFRS. Further, the IFRS to U.S. GAAP reconciliation appears to provide little value to the analyst community, as the lack of questions about and focus on the reconciliation is notable by industry participants. However, the absence of a comprehensive international accounting standard for insurance contracts has to be acknowledged as a deficiency of IFRS as it introduces a level of inconsistency in the accounting for same or similar transactions. This, we believe, should be recognized by the SEC and addressed through the addition of a limitation of the eligibility not to provide the reconciliation to only well-known seasoned issuers. This limitation should remain in place until such time as a comprehensive insurance standard is adopted by the IASB for the accounting for insurance contracts.

The above conclusion does not in any way diminish the importance of convergence between the two standards in areas other than insurance. Convergence will vastly improve the efficiency of cross-boarder transaction, facilitate access to global capital markets, and improve the comparability of financial information for financial statement users', while, at the same time, reducing the costs associated with supplying financial information. Industry is comfortable that convergence has progressed, and will continue to. There is also a clear commitment of cooperation between the IASB and FASB to continue to develop high-quality, compatible standards, which is further supported by the SEC's acceptance of financial statements prepared in accordance with IFRS. While future divergence on certain topics is possible, industry believes, given the commitment by the two organizations to use their best efforts to coordinate future work programs to ensure sustained compatibility, the uncertainty of that outcome should not weigh heavily on current decision-making.

Question 3:

Is there sufficient comparability among companies using IFRS, as published by the IASB, to allow investors and others to use and understand the financial statements of foreign private issuers prepared in accordance with IFRS, as published by the IASB, without a U.S. GAAP reconciliation?

Response:

Financial statements prepared in accordance with IFRS have been widely used since 2005 for all European Union listed companies, as well as a number of companies globally. Additionally, investors and financial statement users have demonstrated their ability to interpret, analyze and understand financial statements prepared on this basis of accounting. The significant disclosures required by IFRS also enhance the usability and comparability between companies.

Question 14:

At the March 2007 Roundtable on IFRS, some investor representatives commented that IFRS financial statements would be more useful if issuers filed their Form 20-F annual reports earlier than the existing six-month deadline. We are considering shortening the deadline for annual reports on Form 20-F.

a. Should the filing deadline for annual reports on Form 20-F be accelerated to five, four or three months, or another date, after the end of the financial year?
b. Should the deadline for Form 20-F be the same as the deadline for an issuer's annual report in its home market?
c. Should we adopt the same deadlines as for annual reports on Form 10-K? Why or why not?
d. Would the appropriateness of a shorter deadline for a Form 20-F annual report depend on whether U.S. GAAP information is included?
e. If a shorter deadline is appropriate for foreign private issuers that would not provide a U.S. GAAP reconciliation under the proposed amendments, should another foreign private issuer also shorten its deadline? Should that depend on the public float of the issuer?

Response:

The U.S. GAAP reconciliation, while very significant, is not the only factor that is specific to the U.S. filings of foreign private issuers – items such as Section 404 internal control certification, U.S. tax disclosure and similar U.S. specific disclosures require preparation time. If the Commission were to shorten the deadline, we would recommend that it allow an ample transition period for FPIs to comply with the new deadlines.

Question 21:

Would issuers have any difficulty in preparing interim period financial statements that are in accordance with IFRS as published by the IASB?

Response:

The relief from the requirement to reconcile to US GAAP would make this more practicable.

Question 22:

Do foreign private issuers that have changed to IFRS generally prepare interim financial statements that are in accordance with IFRS, and do they make express statements to that effect?

Response:

FPIs prepare interim statements semiannually rather than quarterly. The content of the semiannual report is similar to that of quarterly reports prepared by U.S. issuers. The financial statements included in the semiannual report are prepared in accordance with IFRS or IFRS EU, as appropriate, and include disclosures, which indicate the accounting principles used to prepare the statements.

Question 24:

Are there accounting subject matter areas that should be addressed by the IASB before we should accept IFRS financial statements without a U.S. GAAP reconciliation?

Response:

One of the objectives of convergence is to create a single set of high quality accounting standards and ACLI supports such efforts. One of the views expressed by the SEC in the proposal is that IFRS has met the threshold of a robust and comprehensive body of accounting principles. While arguably that is true for many of the IFRS principles that cannot be said as it relates to the accounting for insurance contracts. Under current IFRS, each entity is allowed to use the accounting basis permitted within their respective jurisdictions albeit subject to the minimum requirements set forth within IFRS 4, including full disclosures of their policies. The use of multiple standards creates comparability issues and requires the users of the statements to understand the due process within each jurisdiction in order to conclude whether the process results in a quality standard. The ACLI believes that the absence of a comprehensive international accounting standard for insurance contracts should limit the scope of those eligible for the elimination of the reconciliation. We believe that only well-known seasoned issuers should be eligible for the elimination within insurance entities. We believe that these filers have the historical data necessary to allow users to form a level of understanding regarding the differences between the different accounting methods permitted need under IFRS 4 and a common set of standards such as U.S. GAAP. We believe the new filers need to build up this historical basis through maintaining the reconciliation until at least such time as they become a well-known seasoned issuer or when a new comprehensive standard for insurance contracts is adopted by the IASB.

Question 25:

Can investors understand and use financial statements prepared using IFRS as published by the IASB in those specific areas or other areas that IFRS does not address? If IFRS do not require comparability between companies in these areas, how should we address those areas, if at all? Would it be appropriate for the Commission to require other disclosures in these areas not inconsistent with IFRS published by the IASB?

Response:

See the response to #24.

Question 26:

Should issuers that are permitted to omit a U.S. GAAP reconciliation for their current financial year or current interim period be required to disclose in their selected financial data previously published information based on the U.S. GAAP reconciliation with respect to previous financial years or interim periods?

Response:

No. If the reconciliation is omitted there should be no requirement to include the previously filed U.S. GAAP selected financial information. This information is best understood with the commentary included in the reconciliation and does not have significant value without a reconciliation.

Question 29:

Should the Commission address the implications of forward-looking disclosure contained in a footnote to the financial statements in accordance with IFRS 7? For example, would some kind of safe harbor provision or other relief or statement be appropriate?

Response:

The new disclosure requirements for IFRS 7 are effective for annual periods beginning on or after January 1, 2007. The purpose of IFRS 7 is to provide additional disclosures related to financial instruments including the nature and extent of risks arising from these financial instruments. Since the risk disclosures are similar in content to those currently included in U.S. issuers' Management's Discussion and Analysis pursuant to Regulation S-K, we believe that the Commission should provide a safe harbor provision for any forward-looking information included in the footnotes as required by IFRS 7.

Question 45:

Where will the incentives for continued convergence lie for standard setters, issuers, investors and other users of financial statements if the reconciliation to U.S. GAAP is eliminated for issuers whose financial statements are prepared using IFRS as published by the IASB?

Response:

The incentive for convergence is not solely driven by the current required reconciliation. Among other items, some of the benefits of convergence include comparability across boarders, additional transparency in certain areas, and increased auditing efficiencies due to consistent global standards. We believe standard setters are motivated to continue to work for convergence so that the combined efforts of US and International standard setters will eventually develop a global set of standards that is superior to the separate IFRS and U.S. GAAP standards we have today.

Question 46:

Are there additional interim measures, beyond the proposed elimination of the U.S. GAAP reconciliation from IFRS financial statements that would advance the adoption of a single set of high-quality globally accepted accounting standards? If so, what are they? Who should undertake them?

Response:

As an insurance based industry, we feel one of the most important steps that can be taken is the convergence of a single insurance accounting standard. Both the IASB and the FASB are making efforts toward that goal and we encourage the SEC to understand the importance of these efforts. In the broader view, we believe convergence is a complex and lengthy process that must be done in full view of the public eye, engaging statement preparers and users along every step of the process. To that end, we encourage that the FASB and the IASB continue the current process in a thoughtful and deliberate manner to achieve the best results possible.

Thank you for the opportunity to provide these comments. Should you have any questions or wish to discuss our concerns in greater detail, please feel free to contact us.

Sincerely,

Paul S. Graham III
Vice President, Insurance Regulation and
Chief Actuary