



German Insurance Association



Austrian Insurance Association



The Life Insurance Association of Japan

June 4, 2004

Ms. Andrea Pryde
International Accounting Standards Board
30 Cannon Street, First Floor
London EC4M 6XH United Kingdom

Dear Ms. Pryde:

This letter is submitted on behalf of the American Council of Life Insurers (ACLI), the German Insurance Association (GDV), the Life Insurance Association of Japan (LIAJ), the National Association of Mutual Insurance Companies (NAMIC), the Property Casualty Insurers Association of America (PCI), the Reinsurance Association of America (RAA), and the Austrian Insurance Association (VVO). The ACLI is the principal trade association of life insurance companies in the U.S., and its 368 members represent, in the aggregate, 71 percent of the assets of all domestic life insurers in the U.S. The GDV, with its 447 members, represents about 97% of the German insurance market calculated by premiums written. The LIAJ is the industry organization composed of all life insurance companies in Japan whose purpose is to promote development and public trust in the Japanese life insurance industry. NAMIC's member companies write approximately 41% of the property/casualty premiums in the U.S. PCI's more than 1,000 members write over 38% of the property/casualty premiums in the U.S. The RAA is a national trade association representing property and casualty organizations that reinsure more than 2/3 of the reinsurance premiums written by U.S. property casualty reinsurers. The VVO represents 80 members and more than 95% of the Austrian market of written premiums.

Summary

We appreciate the changes made by the Board to improve accessibility of information to observers. The posting of observer notes and the tentative agenda in advance of the meetings has enhanced our ability to plan and commit resources to the Board's projects. While we recognize the strides made by the Board, we continue to believe further improvements are possible. The most significant improvement is that the same information given to Board members be posted for observers rather than summarized notes. Access to the same information would facilitate our understanding of topics under discussion and eliminate staff's need to develop summary documents. Second, to ensure adoption of high quality accounting standards, we recommend that the Board raise its voting requirement to a super majority, preferably a three-fourth's vote, rather than a simple majority.

Comments on the IASB deliberative process follow along with our thoughts about the process of adopting international accounting standards.

1. Accessibility and transparency of the IASB's deliberative process

Accessibility to information is critical to observers, not only to better understand the issues, but also to provide meaningful comments to the Board. While availability of observer notes in advance of the meetings is an improvement, we continue to find it difficult to follow Board discussions. For example, reference to specific paragraphs or charts that are not available to observers will be made. Consequently, observers have great difficulty following and understanding the deliberations. To enhance due process and improve communication, access to the information provided to Board members is strongly recommended. The information should be posted consistent with its distribution to the Board.

2. The IASB's responsiveness to constituents' comments

We support the Board's decision to post comment letters upon receipt. This change has facilitated our analysis of issues and concerns, contributing to more timely responses in communications with the Board. While we recognize it is impossible to respond to each letter, it would be useful if the Board would formalize its procedures to respond to critical issues. As these issues are identified, resolution could be achieved in one of the following ways:

- Develop a Q&A
- Issue Interpretation Guidance
- Include in Implementation Guidance

3. Extent of consultation before releasing proposals and standards

In our February 10, 2004 letter to the IASC, we noted the importance of an open and deliberate process. We are especially encouraged by the Board's commitment to the use

of steering committees/working parties/advisory groups along with public hearings and field testing when appropriate. Because of the convergence initiative with national standard setters, it is critical that a deliberate and comprehensive process be followed before adoption of any new standard.

As the Board moves ahead with Phase II of the Insurance Contracts project, we support an approach that includes:

- Development of a discussion paper
- Public hearings
- Field testing

Since international accounting standards are expected to have global application, we strongly encourage the Board to change its current simple majority rule. It is our understanding that the predecessor organization, the International Accounting Standards Committee, applied a three-fourth's rule to adopt a new standard. We believe that a super majority rule, approval by at least three-fourth's of the Board, would enhance credibility and promote quality standards. One could rightfully argue that any standard that passes with only a simple majority, i.e., eight votes to adopt a standard, which was the case with IFRS 4, *Insurance Contracts*, fails to meet the high quality objective of the Board.

We appreciate the opportunity to comment and continue to offer our support in the development of high quality accounting standards.

Sincerely,

American Council of Life Insurers
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German Insurance Association
Life Insurance Association of Japan
National Association of Mutual Insurance Companies
Property Casualty Insurers Association of America
Reinsurance Association of America

Cc: IASC Foundation