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26.October.2004

Sir David Tweedie
Chairman, International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Exposure Draft 7 *Financial Instruments: Disclosures*

Dear Sir David:

Thank you for the opportunity to comment on Exposure Draft 7 *Financial Instruments: Disclosures* (ED7). On behalf of GNAIE, I am pleased to provide you comments in response to your Invitation to Comment.

GNAIE fully supports the objective of developing high quality international accounting standards that will improve financial reporting worldwide. In this context, we support the effort to develop global financial statement disclosure standards. High-quality disclosure standards assist a company's key stakeholders in better understanding operating performance and in making more informed business and investment decisions. We are writing today in an effort to strengthen those discloses not only for insurance enterprises, but all enterprises in general.

Invitation to Comment

Our comments have been organized in a manner consistent with the questions outlined in the International Accounting Standards Board's (IASB) Invitation to Comment.

Question 1 – Disclosures relating to the significance of financial instruments to financial position and performance

The draft IFRS incorporates disclosures at present contained in IAS 32 Financial Instruments: Disclosure and Presentation so that all disclosures about financial instruments are located in one Standard. It also proposes to add the following disclosure requirements:

(a) financial assets and financial liabilities by classification (see paragraphs 10 and BC13).
(b) information about any allowance account (see paragraphs 17 and BC14).
(c) income statement amounts by classification (see paragraphs

21(a), BC15 and BC16).
(d) fee income and expense (see paragraphs 21(d) and BC17).

Are these proposals appropriate? If not, why not? What alternative disclosures would you propose?

Response:

We agree that all disclosures regarding financial instruments should be located in one Standard. We also agree with the proposed additional disclosures above, as they are important in understanding the exposure of financial institutions to financial instruments. However, clarification is needed for paragraph 21 (d) *"fee income and expense (other than amounts included in determining the effective interest rate) arising on financial assets and financial liabilities, and from trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions."* It is not clear from this wording if this would include IAS 18 deferred costs and deferred revenue amortization.

Question 2 – Disclosure of the fair value of collateral and other credit enhancements

For an entity's exposure to credit risk, the draft IFRS proposes to require disclosure of the fair value of collateral pledged as security and other credit enhancements unless impracticable (see paragraphs 39, 40, BC27 and BC28).

Is this proposal appropriate? If not, why not? What, if any, alternative disclosures would you propose to meet the stated objective?

Response:

We agree with the proposed requirements to disclose the fair value of collateral pledged as security unless impracticable. This will help to provide the user with an understanding of the qualitative description of the entity's policies for obtaining collateral pledged as security. These combined disclosures will be useful in providing information about how the entity mitigates the losses it expects to incur in the event of default.

It appears that insurance contracts within IFRS 4, that are outside the scope of IAS 32, would not require the credit risk disclosures proposed within ED 7. We do not believe this is immediately clear to a reader, and therefore suggest clarifying language be added.

Question 3 – Disclosure of a sensitivity analysis

For an entity that has an exposure to market risk arising from financial instruments, the draft IFRS proposes to require disclosure of a sensitivity analysis (see paragraphs 43, 44 and BC36-BC39).

Is the proposed disclosure of a sensitivity analysis practicable for all entities?

If not, why not and what, if any, alternative disclosures of market risk would you propose to meet the stated objective of enabling users to evaluate the nature and extent of market risk?

Response:

We do not agree that the proposed sensitivity analysis disclosures "relatively easy to understand and calculate" (BC 36 (b)). This is certainly not the case for insurance entities for the reasons described more fully in Response 7 and 8 below.

Question 4 – Capital disclosures

The draft IFRS proposes disclosure of information that enables users of an entity's financial statements to evaluate the nature and extent of its capital. This includes a proposed requirement to disclose qualitative information about the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether during the period it complied with any capital targets set by management and any externally imposed capital requirements; and if it has not complied, the consequences of such non-compliance (see paragraphs 46-48 and BC45-BC54).

Is this proposal appropriate? If not, why not? Should it be limited to only externally imposed capital requirements? What, if any, alternative disclosures would you propose?

Response:

In general, the GNAIE is concerned that the proposed disclosure requirements would require insurers to reveal proprietary information that either has the potential to be used by other insurers to gain a competitive advantage or could be misread by readers and thus have unintended adverse consequences to the company. In order to give readers adequate insight and a meaningful overview of an insurer's capital management, we believe that under the proposed Project guidelines, the insurer would have to disclose information regarding their underwriting assessment criteria as well as guidance from rating agencies or regulators that a company is attempting to adhere to. Such insights are not necessarily intended for public consumption, and have the potential to be taken out of context.

Many insurers manage capital as part of the underwriting process by establishing a capital model and return on capital criteria to assess new business. Because capital management and proprietary underwriting assessments are often intertwined, most insurers consider information regarding capital management to be proprietary. For a sophisticated underwriter, risk-adjusted return on capital can be the primary factor in how they assess risk and determine pricing adequacy. To the extent any aspect of this management tool becomes public, peer companies could potentially use this information to win competitive bids and attract customers.

With respect to analysis performed by rating agencies or regulators, the disclosure of capital targets not currently made public by either the company, rating agencies, or regulators could result in adverse business consequences for a company; the very consequences that the rating agency or regulator is attempting to avoid with their recommendations to management. Currently, insurance rating agencies and regulators perform comprehensive reviews of insurers to determine the capital adequacy or the solvency position of an insurer. These reviews, including internal management capital assessments, are typically based on a multitude of factors and therefore, any attempt to simplify such analyses through disclosure of one or a few factors, such as a particular capital target, is subject to undue emphasis and scrutiny – either positively or negatively – by a user of the financial statements. It is important to note that in the United States, state regulators recognize the importance of propriety capital management data, and as such maintain confidentiality over the details of a company's regulatory Risk Based Capital analysis. Additionally, information requested by and distributed to rating agencies is done so under a strict confidentiality agreement.

In lieu of the IASB's current proposal regarding disclosure of capital resources, we recommend that the IASB consider adopting liquidity and capital resource disclosures using the SEC requirements outlined in Regulation S-K Item 303 sections 1-5 as a foundation (complete listing of the requirements are illustrated in Attachment 1). We believe the SEC requirements obligate insurers to disclose an appropriate level of information, which gives readers a reasonable understanding of its liquidity and capital resource position. While this information is currently included in the *Management Discussion and Analysis* section of the Form 10-K, the IASB should modify it to include only the information that should be contained in the notes to the financial statements. Specifically, we recommend avoiding financial statement disclosure requirements involving management's analysis of financial information (i.e. Section 3 of Item 303), such as its internal capital management process, and focus financial statement disclosure requirements on independent and objective information at the balance sheet date, such as commitments, uncertainties, and regulatory capital levels used to monitor a company and the implications of non-compliance.

In summary, while we believe management should be responsible for its capital adequacy and solvency position, it is the position of GNAIE that the task of opining on insurers capital adequacy is best handled by professional independent rating agencies and insurance regulators whose primary function is to judge capital adequacy and solvency.

The IASWG has identified a discrepancy between ED7 and the Basis for Conclusions. Paragraph 47a(i) of ED7 requires an entity subject to externally imposed capital requirements to disclose the nature of those requirements and how those requirements are incorporated into the management of capital. Paragraph BC53 of the Basis for Conclusions clearly indicates that the Board decided not to require disclosures of externally imposed capital requirements, but to only require disclosures about whether the entity complied with any externally issued capital requirements during the period and, if not, the consequences of non-compliance. It is requested that the IASB confirm the intention of the capital disclosure requirements.

Question 5 – Effective date and transition

The proposed effective date is for periods beginning on or after 1 January 2007 with earlier adoption encouraged (see paragraphs 49 and BC62-BC67). Entities adopting IFRSs and the draft IFRS for the first time before 1 January 2006 would be exempt from providing

comparative disclosures for the draft IFRS in the first year of adoption (see Appendix B, paragraph B9).

Are the proposed effective date and transition requirements appropriate? If not, why not? What alternative would you propose?

Response:

We believe the effective date is reasonable; however, as discussed in the introduction considerable uncertainty has been created with regards to timing of implementation of the provisions of the draft IFRS before its effective date. Accordingly, we recommend providing additional transitional rules, e.g., the ability to early-adopt certain provisions and not others, that may help companies avoid the cost of collecting IFRS disclosure information that will be no longer be required in 2007 at the latest.

Question 6 – Location of disclosures of risks arising from financial instruments

The disclosure of risks arising from financial instruments proposed by the draft IFRS would be part of the financial statements prepared in accordance with International Financial Reporting Standards (see paragraph BC41). Some believe that disclosures about risks should not be part of financial statements prepared in accordance with IFRSs; rather they should be part of the information provided by management outside the financial statements.

Do you agree that the disclosures proposed by the draft IFRS should be part of the financial statements? If not, why not?

Response:

We are of the opinion that sensitivity analysis does not belong in the financial statements given the limited usefulness of the information that would be provided (See response to Question 8). Among other issues, it would be very difficult and expensive to implement and subsequently audit. While we can understand that the IASB has no official capacity over information disclosed outside the financial statements, this should not the basis to require inappropriate information within the financial statements. The draft IFRS again goes beyond US regulations, which do not require similar information in the financial statements. We recommend that the IASB discuss this matter with CESR: The Forum of European Securities Commissions.

Question 7 – Consequential amendments to IFRS 4 (paragraph B10 of Appendix B)

Paragraph B10 of Appendix B proposes amendments to the risk disclosures in IFRS 4 Insurance Contracts to make them consistent with the requirements proposed in the draft IFRS. The requirements in IFRS 4 were based on disclosure requirements in IAS 32 that would be amended by the draft IFRS. The Board's reasons for proposing these amendments are set out in paragraphs BC57-BC61.

Do you agree that the risk disclosures in IFRS 4 should be amended to make them consistent with the requirements proposed in the draft IFRS? If not, why not and what amendments would you make pending the outcome of phase II of the Board's Insurance project?

Response:

GNAIE disagrees with the proposed amendment to make changes to the disclosure requirements of IFRS 4 so that is fully consistent with ED 7. Given that progress towards Phase II of the Insurance Contracts Project has begun, and that the IASB has committed to complete Phase II as soon as possible, we would request for the IASB to limit the amount of changes to IFRS 4. Disclosure revisions should be deliberated during the development of Phase II insurance standard. We would support the alternative suggestion included in the Basis for Conclusions to make only minimum essential changes to IFRS 4 in response to ED7 and conduct a fuller review of the disclosures in IFRS 4 as part of phase II of the insurance project.

As noted within Appendix B of the ED 7, the changes to other standards in accordance with the exposure draft shall be applied for annual periods beginning on or after Jan. 1, 2007. With this implementation date, insurers will be required to make significant system changes twice within two years (IFRS 4 in 2005 and ED 7 in 2007), and a third time, as soon as Phase II is released. In order for insurers to limit the amount of changes they face within a short period of time, insurers will be forced to implement ED 7 early. Although the IASB may believe this to be an acceptable solution, it is not reasonable to expect insurers to include disclosures within their 2005 financial statements if the standard governing those disclosure requirements will not be finalized until 2005. (Even if this was feasible, insurers have already begun to make changes in accordance with IFRS 4.)

Although we understand the IASB's desire to have IFRS 4 comply with ED 7, we are concerned that the IASB has not fully considered the time and impact these system changes will have on financial statement preparers. Furthermore, it will be confusing to users as comparability to prior years and other insurers will be hindered due to changes in the presentation and disclosure of the financial statements. By accepting the alternative solution presented in BC58(i) of the Basis of Conclusions, both users and preparers would benefit.

Lastly, when IFRS 4 was deliberated, it was communicated that the standard would be adopted no later than March 2004 to allow insurers ample time to comply with the January 1, 2005 effective date. During this time, a "cooling off" period was considered to prevent insurers from having to address additional revisions until Phase II of the Insurance Contracts Project was completed. Since the release of IFRS 4, the IASB has released at least three exposure drafts that could impact the treatment of insurance contracts (credit insurance, fair value option, ED 7). This continued release of exposure drafts impacting the accounting and reporting of insurance contracts is of great concern. In addition to the burden of addressing the elements of the exposure drafts, we are concerned there will be a greater perception that Phase II of the Insurance Contracts Project is not a priority for the IASB. If the IASB was determined to complete a Phase II standard timely, we question the need for interim revisions.

Question 8 – Implementation Guidance

The draft Implementation Guidance accompanying the draft IFRS suggests possible ways to apply the risk disclosure requirements in paragraphs 32-45 (see paragraphs BC19, BC20 and BC42-BC44).

Is the Implementation Guidance sufficient? If not, what additional guidance would you propose?

Response:

We do not believe the Implementation Guidance is sufficient for financial institutions without clarity regarding the manner in which sensitivity analyses should be calculated. For example, is "profit and loss" the profit and loss for the period being reported upon or forecasts of future period(s), which are not released into the public domain? Is the "reasonably possible change" a shock whereby risk variables are assumed to return to their previous level or do they continue on into the future (and become the company's best estimate)? The answers to these detailed questions, among others, can dramatically change the results of the sensitivity analyses, especially when considering the impacts of investment and intangible asset impairment and liability adequacy. We believe it would be irresponsible to leave such issues up to each company to decide. Until these issues are examined thoroughly, we recommend that the draft IFRS not require sensitivity analyses.

Additionally, we are troubled with the illustrative example included within paragraph IE2 of the Implementation Guidance that provides a suggestive disclosure for an entity that has not complied with externally imposed capital requirements. Although paragraph 8 of the IFRS indicates that it is the entity's decision how much detail to provide to satisfy the IFRS, we feel that the inclusion of this example will provide a benchmark for application. As noted above in the response to question 4, the inclusion of details of externally imposed capital requirements, if publicly disclosed, has several repercussions, including possible distress to a financially strong company.

We suggest that the illustrative example for companies with externally imposed capital requirements (paragraph IE2) be deleted from the implementation guidance. The example included at paragraph IE1 adequately communicates the company's objectives for managing capital, and would be beneficial to users in ascertaining the financial condition of an entity. This illustrative example should be the standard for all companies.

Question 9 – Differences from the Exposure Draft of Proposed Statement of Financial Accounting Standards Fair Value Measurements published by the US Financial Accounting Standards Board (FASB).

The FASB's Proposed Statement of Financial Accounting Standards Fair Value Measurements, which is open for public comment at the same time as this Exposure Draft, proposes guidance on how to measure fair value that would apply broadly to financial and non-financial assets and liabilities that are measured at fair value in accordance with other FASB pronouncements. That Exposure Draft proposes disclosure of information about the use of fair value in measuring assets and liabilities as follows:

(a) For assets and liabilities that are remeasured at fair value on a recurring (or ongoing) basis during the period (for example, trading securities)

(i) the fair value amounts at the end of the period, in total and as a percentage of total assets and liabilities,
(ii) how those fair value amounts were determined (whether based on quoted prices in active markets or on the results of other valuation techniques, indicating the extent to which market inputs were used), and
(iii) the effect of the remeasurements on earnings for the period (unrealized gains or losses) relating to those assets and liabilities still held at the reporting date.

(b) For assets and liabilities that are remeasured at fair value on a non-recurring (or periodic) basis during the period (for example, impaired assets), a description of

(i) the reason for remeasurements,
(ii) the fair value amounts,
(iii) how those fair value amounts were determined (whether based on quoted prices in active markets or on the results of other valuation techniques, indicating the extent to which market inputs were used), and
(iv) the effect of the remeasurements on earnings for the period relating to those assets and liabilities still held at the reporting date.

Disclosures similar to (a)(ii) above are proposed in paragraph 31 of the draft IFRS (and are currently required by paragraph 92 of IAS 32) and disclosures similar to (a)(iii) are proposed in paragraph 21(a).

Do you agree that the requirements in the draft IFRS provide adequate disclosure of fair value compared with those proposed in the FASB's Exposure Draft? If not, why not, and what changes to the draft IFRS would you propose?

Response:

We agree that the suggested disclosures included within the exposure draft provide adequate disclosure of fair value in accordance with the proposed guidance of the FASB.

Question 10 – Other comments

Do you have any other comments on the draft IFRS, Implementation Guidance and Illustrative Examples?

Response:

We have a number of additional comments:

- IG 62A of the draft IFRS would require insurance companies to comply with IAS 1 paragraph 51 and 52, i.e. all assets and liabilities in the balance sheet analysed into amounts expected to be recovered or settled in greater than and less than twelve months. This analysis, while pertinent to other industries in determining liquidity sources and needs, is not performed by insurers due to the longer nature of their liabilities and we do not believe that these requirements should be required for insurance companies – consistent with the U.S. GAAP treatment.

- Paragraph 30 (b) of the draft IFRS requires disclosure of the carrying amount of financial liabilities. The unallocated surplus will therefore require allocation between investment and insurance contracts. While the total amount of unallocated surplus is known, by definition this has not been allocated further, including between investment and insurance contracts. We believe that such an allocation would be arbitrary at best and does not provide users of the financial statements with useful information.

- We ask the Board to clarify whether the minimum disclosures for balance sheet and income statement in paragraphs 10 & 21 are mandatory line items for the face of the balance sheet and income statement or whether they can be included in the notes to the financial statements. Paragraph 43 of IAS 1 implies that in the absence of an explicit statement, an entity can select the most appropriate location for any disclosure.

- Paragraph 11 (a) requires the following disclosure for financial liabilities that are measured at fair value through profit and loss, *"the amount of change in its fair value that is not attributable changes in benchmark interest rate"*. We believe that disclosure would not be applicable for Unit-Linked investment contract liabilities due to the fact the underlying assets often include equity securities and/or real estate. We would appreciate clarification of this point in the final standard.

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We recognize that this letter contains a great deal of summarized information and that at times we may use shorthand descriptions for concepts familiar to participants in the United States insurance industry. Accordingly, we would be glad to meet with you to discuss this letter and the IASB Disclosures project specifically.

For administrative convenience, please direct responses to this letter to the following:

Mr. Howard I. Smith
Chair, Group of North American Insurance Enterprises
Chief Financial Officer, American International Group
70 Pine Street, 3rd Floor
New York, NY 10270
U.S.A.

Yours very truly,

/S/

Howard I. Smith
Chair
The Group of North American Insurance Enterprises
Vice Chairman, Chief Financial Officer, Chief Administrative Officer
American International Group

cc: Robert H. Herz
Chairman
Financial Accounting Standards Board

Donald T. Nicolaisen
Office of the Chief Accountant
U.S. Securities and Exchange Commission

Attachment 1 – SEC Regulation S-K Item 303 Sections 1-5

(1) LIQUIDITY

Identify any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. If a material deficiency is identified, indicate the course of action that the registrant has taken or proposes to take to remedy the deficiency. Also identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets.

(2) CAPITAL RESOURCES

(i) Describe the registrant's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purpose of such commitments and the anticipated source of funds needed to fulfill such commitments.

(ii) Describe any known material trends, favorable or unfavorable, in the registrant's capital resources. Indicate any expected material changes in the mix and relative cost of such resources. The discussion shall consider changes between equity, debt and any off-balance sheet financing arrangements.

(3) RESULTS OF OPERATIONS

(i) Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, indicate the extent to which income was so affected. In addition, describe any other significant components of revenues or expenses that, in the registrant's judgment, should be described in order to understand the registrant's results of operations.

(ii) Describe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

(iii) To the extent that the financial statements disclose material increases in net sales or revenues, provide a narrative discussion of the extent to which such increases are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.

(iv) For the three most recent fiscal years of the registrant, or for those fiscal years in which the registrant has been engaged in business, whichever period is shortest, discuss the impact of inflation and changing prices on the registrant's net sales and revenues and on income from continuing operations.

(4) OFF-BALANCE SHEET ARRANGEMENTS

(i) In a separately-captioned section, discuss the registrant's off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the registrant's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. The disclosure shall include the items specified in paragraphs (a)(4)(i)(A), (B), (C) and (D) of this Item to the extent necessary to an understanding of such arrangements and effect and shall also include such other information that the registrant believes is necessary for such an understanding.

(A) The nature and business purpose to the registrant of such off-balance sheet arrangements;

(B) The importance to the registrant of such off-balance sheet arrangements in respect of its liquidity, capital resources, market risk support, credit risk support or other benefits;

(C) The amounts of revenues, expenses and cash flows of the registrant arising from such arrangements; the nature and amounts of any interests retained, securities issued and other indebtedness incurred by the registrant in connection with such arrangements; and the nature and amounts of any other obligations or liabilities (including contingent obligations or liabilities) of the registrant arising from such arrangements that are or are reasonably likely to become material and the triggering events or circumstances that could cause them to arise; and

(D) Any known event, demand, commitment, trend or uncertainty that will result in or is reasonably likely to result in the termination, or material reduction in availability to the registrant, of its off-balance sheet arrangements that provide material benefits to it, and the course of action that the registrant has taken or proposes to take in response to any such circumstances.

(ii) As used in this paragraph (a)(4), the term <u>off-balance sheet arrangement</u> means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the registrant is a party, under which the registrant has:

(A) Any obligation under a guarantee contract that has any of the characteristics identified in paragraph 3 of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (November 2002) ("FIN 45"), as may be modified or supplemented, and that is not excluded from the initial recognition and measurement provisions of FIN 45 pursuant to paragraphs 6 or 7 of that Interpretation;

(B) A retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets;

(C) Any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, except that it is both indexed to the registrant's own stock and classified in stockholders' equity in the registrant's statement of financial position, and therefore excluded from the scope of FASB Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (June 1998), pursuant to paragraph 11(a) of that Statement, as may be modified or supplemented; or

(D) Any obligation, including a contingent obligation, arising out of a variable interest (as referenced in FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* (January 2003), as may be modified or supplemented) in an unconsolidated entity that is held by, and material to, the registrant, where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with, the registrant.

<u>(5) TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS</u>

(i) In a tabular format, provide the information specified in this paragraph (a)(5) as of the latest fiscal year end balance sheet date with respect to the registrant's known contractual obligations specified in the table that follows this paragraph (a)(5)(i). The registrant shall provide amounts, aggregated by type of contractual obligation. The registrant may disaggregate the specified categories of contractual obligations using other categories suitable to its business, but the presentation must include all of the obligations of the registrant that fall within the specified categories. A presentation covering at least the periods specified shall be included. The tabular presentation may be accompanied by footnotes to describe provisions that create, increase or accelerate obligations, or other pertinent data to the extent necessary for an understanding of the timing and amount of the registrant's specified contractual obligations.

	Payments due by period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
[Long-Term Debt Obligations]					
[Capital Lease Obligations]					
[Operating Lease Obligations]					
[Purchase Obligations]					
[Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP]					
Total					

(ii) Definitions: The following definitions apply to this paragraph (a)(5):

(A) Long-Term Debt Obligation means a payment obligation under long-term borrowings referenced in FASB Statement of Financial Accounting Standards No. 47 *Disclosure of Long-Term Obligations* (March 1981), as may be modified or supplemented.

(B) Capital Lease Obligation means a payment obligation under a lease classified as a capital lease pursuant to FASB Statement of Financial Accounting Standards No. 13 *Accounting for Leases* (November 1976), as may be modified or supplemented.

(C) Operating Lease Obligation means a payment obligation under a lease classified as an operating lease and disclosed pursuant to FASB Statement of Financial Accounting Standards No. 13 *Accounting for Leases* (November 1976), as may be modified or supplemented.

(D) Purchase Obligation means an agreement to purchase goods or services that is enforceable and legally binding on the registrant that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

GNAIE Background

The Group of North American Insurance Enterprises (GNAIE) was formed in 2003 by the Chief Financial Officers of ten leading insurance companies including life insurers, property and casualty insurers, and reinsurers. GNAIE members include companies who are the largest global providers of insurance and substantial multi-national corporations. All are major participants in the US markets. The goal of GNAIE is to influence international accounting standards to ensure that they result in high quality accounting standards for insurance companies and, to that end, to increase communication between insurers doing business in North American and the International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board. GNAIE works to meet it goals through modeling of proposed accounting standards, analysis, comment, and coordination with various end users of financial reports.