



---

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

April 29, 2004

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

Dear Sir David and Members of the Board:

Thank you for the opportunity to comment on the IASB Deliberative Processes. On behalf of the International Accounting Standards Working Group (IASWG) of the National Association of Insurance Commissioners (NAIC), I am pleased to provide you comments in response to your Invitation to Comment.

**Background and NAIC Process**

Formed in 1871, the NAIC is a voluntary organization of the chief insurance regulatory officials of the 50 states of the United States of America, the District of Columbia, American Samoa, Guam, Puerto Rico and the Virgin Islands. The mission of the NAIC is to assist state insurance regulators, individually and collectively, in serving the public interest in a responsive, efficient and cost-effective manner, consistent with the objectives of its members.

In fulfilling this mission, the NAIC has developed significant experience and expertise in the development of meaningful accounting principles for use in the financial statements of insurance enterprises. The NAIC has the responsibility to establish and interpret statutory accounting principles. The codification of statutory accounting principles by the NAIC produced a comprehensive guide for use by insurance departments, insurers, and auditors.

The fundamental concepts upon which these principles were promulgated are conservatism, consistency and recognition. While these principles are not identical to the framework used by the IASB, which govern general-purpose financial statements, the NAIC has developed expertise with general-purpose financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). The NAIC reviews all U.S. GAAP pronouncements to determine their relevance for statutory accounting purposes.

These comments have been prepared by the IASWG of the NAIC. As part of the NAIC's due process procedures, these comments have also been shared with interested parties to the IASWG, all of whom were given an opportunity to contribute to the IASWG's deliberations of these issues. However, the IASWG does not wish to imply that these comments are shared by all of the IASWG interested parties.

**EXECUTIVE  
HEADQUARTERS**

2301 MCGEE STREET  
SUITE 800  
KANSAS CITY MO  
64108-2662  
VOICE 816-842-3600  
FAX 816-783-8175

**FEDERAL AND  
INTERNATIONAL  
RELATIONS**

HALL OF THE STATES  
444 NORTH CAPITOL ST NW  
SUITE 701  
WASHINGTON DC  
20001-1509  
VOICE 202-624-7790  
FAX 202-624-8579

**SECURITIES  
VALUATION  
OFFICE**

1411 BROADWAY  
9<sup>TH</sup> FLOOR  
NEW YORK NY  
10018-3402  
VOICE 212-398-9000  
FAX 212-382-4207

**WORLD  
WIDE WEB**

[www.naic.org](http://www.naic.org)

## **Invitation to Comment**

Our comments have been divided into a manner similar to the paper provided by the IASB:

1. Accessibility and Transparency of the IASB's Deliberative Process
  - Access to IASB discussions
  - Availability of IASB documents
  - Publication of comment letters
2. The IASB's Responsiveness to Constituents' Comments
  - Response to comment letters
  - Publication on the website of latest proposals for new standards
3. Extent of Consultation Before Releasing Proposals and Standards
  - Use of steering committee/working parties/advisory groups
  - Public hearings and field testing
  - Discussion papers
  - Re-exposure of proposals

In addition to commenting on these topics, we have included general comments regarding the process of adopting international standards and the perceived quality of the international standards for consideration at the end of this document.

### **1. Accessibility and Transparency of the IASB's Deliberative Process**

As active observers of the IASB meetings, the IASWG applauds the recent initiatives of the Board to improve the accessibility the observers have to the IASB discussions, documents, and received comment letters. We would encourage the Board to continue implementing provisions to further increase the accessibility and transparency of the IASB process by considering the following enhancements:

#### **IASB Meeting Agendas**

The IASB does not appear to have a standard timeframe for posting the upcoming meeting agenda on the website. As observers rely on this information to determine whether attendance is desirable, we would request the Board to establish and post a provisional agenda three weeks in advance of the meeting. As we recognize that it would be very difficult to assess the extent of the discussion for each topic at that time, a listing of the expected topics scheduled for discussion would greatly assist in determining the need to observe the meeting. Although the agendas are subject to change, this would eliminate the need to individually contact the IASB staff for their topic projections.

#### **Access to IASB Discussions**

Availability of Observer Notes: The IASWG supports the movement to make observer notes available before the IASB meeting. Similar to the posting of agendas, it would be helpful if a consistent process were adopted with designated time frames for when this material would be available. Additionally, as several observers travel to attend the meeting, it would be desirable if these were posted in time for them to be accessed before departing. We propose for the IASB to adopt an initiative to post

the observer materials on the website at least five business days before the IASB meeting begins.

Internet Broadcastings: Again, the IASWG applauds the initiative of the Board to introduce the option to view the IASB meetings via web cast. Allowing these to be archived will also provide the observers flexibility in when they are viewed. To compare this initiative to the Financial Accounting Standards Board (FASB), the FASB meetings are available via internet free of charge, and they also provide the meetings via conference call so observers who may be traveling and/or are without a high-speed internet connection can also participate. We would encourage the IASB to explore these options as well.

#### **Availability of IASB Documents**

The IASWG observers have noticed a vast improvement to the content of the observer notes within the last year, and we greatly appreciate the ability to understand what an IASB member advocates when it is stated that they support the staff recommendation. However, the IASWG ponders why separate information needs to be developed for the observers. For the IASB to conduct procedures on an open and transparent basis, it would seem logical that all of the materials provided to the Board (i.e., Agenda Papers) would be made available to the observers. As we realize the Board would not want the added expense of copying and distributing this material at the Board meetings, it would be acceptable if this material was posted on the IASB website for observer access in time to be obtained prior to departing for the IASB meeting.

#### **Publication of Comment Letters**

We greatly support the proactive initiative of the IASB to post comment letters upon receipt.

## **2. The IASB's Responsiveness to Constituents' Comments**

#### **Response to Comment Letters**

Although we would like to receive an individual response for each of the issues raised in submitted comment letters, we understand the time and resource constraints preventing this initiative. We believe the Board's proposal to publish the IASB position on major points raised in comment letters is an adequate alternative. Similar to our previous points, it would be desirable if a standard timeframe were established on when observers should expect these items to be available.

#### **Publication on the IASB's Website of Latest Proposals for New Standards**

We support the Board's proposal to 'link' decisions made by the Board to the guidance included within the exposure draft. We feel that this approach will be very beneficial to the observers. We also support the proposal to release 'near-final' drafts of exposure drafts and standards. As accounting standards can often be interpreted differently with the inclusion/omission of a word or the simple restructuring of a sentence, the release of 'near-final' drafts and the use of advisory groups to review them will ensure that the accounting standard reads correctly without inconsistencies.

### **3. The Extent of Consultation Before Releasing Proposals and Standards**

#### **Use of Steering Committees/Working Parties/Advisory Groups**

The IASWG agrees with the directives identified in the deliberative process paper and further encourages the IASB to frequently develop and maximize the use of advisory groups and the practical knowledge that the group participants convey. In addition to announcing the membership of the advisory group, the IASWG proposes that the Board consider allowing observers to attend these sessions and posting a summary of the discussions on the IASB website for observer access.

#### **Public Hearings and Field Testing**

Although the IASWG is pleased that the IASB will continue the use of public hearings and field tests when considered necessary, the IASWG advocates that the Board host these opportunities more often when developing accounting standards. As stated in the IASB deliberative process, these sessions will only occur when the Board determines they are appropriate or necessary. However, as evidenced by the Financial Instruments project, the Board may be content with a standard, while the interested parties or advisory groups may feel that a roundtable discussion or field-testing is necessary for the Board to fully be aware of the practical implications of a particular issue. Additionally, a stated date for issuing a standard should not prevent the IASB from conducting further scrutiny. Although the March 2004 date was an aggressive date to finalize accounting policy for EU 2005 compliance, such aggressive deadlines should not hinder the development of sound accounting policy.

#### **Discussion Papers**

We greatly support the proactive initiative of the IASB to use and develop discussion papers. The IASWG recommends for the IASB to receive and consider comments on released discussion papers.

#### **Re-Exposure of Proposals**

Although the IASWG agrees with the directives identified in the IASB deliberative process paper, the IASWG encourages the IASB to consistently follow this directive when developing accounting policy. Although it may defer the adoption date, the re-exposure of revised proposed guidance will give the Board an opportunity to be notified of issues identified by the public.

### **4. General Comments**

#### **Adoption of an IFRS**

The IASWG requests that the IASB consider revising the policy that permits a simple majority of Board members to develop IFRS. By allowing a simple majority, accounting policy can be established with as few as eight votes as evidenced by the recent adoption of the phase I insurance contracts IFRS. If the accounting standard cannot be supported by two-thirds of the Board (with three-fourths preferred) the IASB should reconsider whether the standard is sufficient for adoption. We recommend the IASB develop stated procedures (e.g., public roundtables, field tests,

re-exposure) that must be completed to further evaluate any standard, prior to adoption, that is not supported by at least 75% of the IASB.

### **Quality of the IFRS**

The IASWG noted multiple instances in the IASB Deliberative Process Paper where it was implied that the process of developing the recent International Financial Reporting Standards was limited due to the March 31, 2004 deadline. We recommend that the IASB focus primarily on ensuring compliance with established deliberative procedures and to take all necessary actions to issue a standard of the highest quality. By issuing a standard that has neither been debated during a roundtable discussion, field-tested sufficiently, nor re-exposed for broad-based consideration, the IASB creates speculation on whether all implications of the standard have been adequately considered. This speculation has the potential to diminish the public confidence in adopted IFRS and the IASB.

We appreciate the opportunity to comment on the IASB Deliberative Process. Should you have any questions, please contact me at (501) 371-2667, or Julie Gann (NAIC Staff) at (816) 783-8125.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Mel Anderson', with a stylized, cursive script.

Mel Anderson  
Chair, NAIC International Accounting Standards Working Group