



News Release

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U.S. AND JAPANESE INSURERS PRESENT DRAFT OF ACCOUNTING PRINCIPLES TO INTERNATIONAL ACCOUNTING STANDARDS BOARD

NEW YORK, July 22 – Leading U.S. life and property/casualty insurance and reinsurance companies insurance companies and the four largest life insurance companies in Japan have jointly advanced a draft of basic insurance accounting principles that recognize the unique features of insurance contracts for consideration by the International Accounting Standards Board (IASB) Insurance Working Group.

The joint statement called the accounting principles, which are still under development, a foundation on which the insurance project could build. GNAIE is the only trade association that focuses exclusively on financial reporting and accounting issues. The combination of US and Japanese life insurance companies represent more than fifty percent of the world's life insurance markets.

In a July 22 letter to IASB chairman David Tweedie, the insurers wrote “We are supportive of the move toward a global accounting standard for insurance contracts, a standard that reflects the business model and unique features of insurance contracts.”

The principles recognize that:

- Entities should have the ability to measure assets and liabilities on a consistent basis, reflecting the ways companies manage risk and create symmetry in the measurement of assets and liabilities.
- Liabilities should reflect the inherent risk and uncertainty within insurance contracts, clarify the objective of providing an appropriate allowance for risk and uncertainty and not prescribe a single estimation technique.

- Non-life insurance claims liabilities should not be discounted with the exception of those liabilities that have highly predictable annuity-like payment patterns, such as workers compensation insurance.
- Life reserves should be calculated on a discounted basis.
- The assumptions underlying the measurement of insurance liabilities and intangible assets should be reviewed periodically and unlocked if appropriate.
- Liabilities should reflect the value of all financial options and guarantees.
- The credit standing of an entity should not be considered in the valuation of insurance liabilities.
- Measurement of insurance contracts should be based on the book of insurance contracts and not on individual contracts.
- There should be no gain or loss at initial measurement unless a recognition test indicates that the contract is loss-making.
- Profits should be recognized as they are released from risks, reflecting the fact that premiums are received in advance of the provision of insurance service.

The insurers pointed out that work on these principles continues. “As principles are developed, we will share them with you in the hope that they will contribute to the development of a global accounting standards,” they told the IASB.

Signatories to the letter include the member companies of GNAIE: ACE Ltd.; AIG, Inc.; The Allstate Corporation; GE Insurance Solutions; Genworth Financial, Inc; The Hartford; Liberty Mutual Group; Metropolitan Life Insurance Company; New York Life Insurance Company; Prudential Financial, Inc.; XL Capital, Ltd and the following Japanese insurers: Nippon Life Insurance Company; Dai-Ichi Life Insurance Company; Nippon Life Insurance Company, Meiji_Yasuda Life Insurance Company and Sumitomo Life Insurance Company.