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AMERICAN ACADEMY *of* ACTUARIES

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May 18, 2011

Mel Anderson  
International Accounting Standards (EX) Working Group  
National Association of Insurance Commissioners  
Via email: [resson@naic.org](mailto:resson@naic.org) , [jgann@naic.org](mailto:jgann@naic.org)

Re: Revisions to IAIS ICP 14: Valuation for Solvency Purposes

Dear Chairman Anderson:

On behalf of the American Academy of Actuaries'<sup>1</sup> (Academy) Solvency Committee I appreciate the opportunity to provide our recommendations for improvement of the International Association of Insurance Supervisors' (IAIS) recently revised Insurance Core Principle (ICP) 14: *Valuation for Solvency Purposes*. We appreciate that the changes made thus far in the draft have addressed issues the Academy has raised in a positive way.

Should there be additional opportunity to address other issues by amendment, we recommend to you the following should be addressed (referenced by section number):

- 14.04 footnote "an economic basis includes amortized cost valuations." Later on (section 14.5.16) the ICP elaborates under what circumstances amortized cost valuations can be used as an economic basis. The qualifiers in 14.5.6 are important enough to be mentioned in the footnote. We propose adding to the footnote, "as addressed in 14.5.16".
- Before 14.5.12. Insert a section title "Amortized Cost Method." This will ensure consistency with the section title "Market-Consistent Valuation" which appears before section 14.5.5.
- 14.5.14. The prior section, 14.5.13, addresses assets; 14.5.14 addresses long term liabilities. The reader would likely expect the next paragraph to address short term liabilities. The revised ICP is silent on short term liabilities; it will be perceived as an omission.
- 14.6 states "The value of technical provisions and other liabilities does not reflect the insurer's own credit standing." However, 14.6.5 allows it for subordinated debt. In order to make these two sections consistent, remove the term "and other liabilities" from 14.6.

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<sup>1</sup> The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

If you have any questions regarding these recommendations, please contact Tina Getachew, Senior Policy Analyst, Risk Management and Financial Reporting, by phone (+1 202/332-5958) or email ([getachew@actuary.org](mailto:getachew@actuary.org)).

Sincerely,

A handwritten signature in blue ink that reads "R. Thomas Herget". The signature is written in a cursive style with a long horizontal stroke at the end.

R. Thomas Herget, FSA, MAAA, CERA  
Chair, Solvency Committee  
American Academy of Actuaries