

May 18, 2004

Mr. Robert H. Herz
Chairman
Financial Accounting Standards Board

Via email

File Reference No. 1102-100

Dear Mr. Herz:

NCRIC Group, Inc. through its primary subsidiary is a medical professional liability insurance company. NCRIC's stock is traded on Nasdaq. NCRIC has issued stock options under two separate option plans coinciding with its two public offerings of stock.

NCRIC's investors encourage the use of stock options as an additional incentive to align management interests with the interests of stockholders. Under current accounting literature, NCRIC has disclosed the impact of expensing options as calculated under the requirements of FAS 123. Investors, therefore, have information about options to factor into their analysis of the investment opportunity in NCRIC. FASB's draft requirement to expense stock options will not help investors gain a better understanding of the financial position of NCRIC.

As an insurance company, to prepare financial statements we must make estimates of reserve liabilities, estimates which are significant to the reported results. These estimates are made based on well-established actuarial science techniques. Based on the questions we receive from investors we know that many struggle to really understand the potential variability of the estimates.

The current FASB proposal would introduce a new estimate, potentially significant, which would add confusion rather than clarity to the financial reports of companies issuing stock options. The valuation models are far from providing reliable results, and the various models themselves provide differing results. The assumptions used in the models significantly influence the results yet are often best guesses – for example, there is no historical information on which to base the average duration of stock options issued by a company that does not have a history of issuing options.

Such an estimation process disclosed in the notes to the financial reports the data in a manner which provides investors information but does not overstate its accuracy by including it as a component of measuring net income for a given time period. Given the significant impact the valuation assumptions have on the resulting expense level, this would be another estimation process which would reduce rather than enhance investor confidence in the entire financial reporting process.

Adoption of this exposure draft would be a mistake for the accounting profession and would harm the investing public through the misinformation it would produce.

Yours truly,

Rebecca B. Crunk
Senior Vice President and CFO
NCRIC Group, Inc.