From: Jeff Kargus [mailto:jkargus@secura.net]
Sent: Friday, May 31, 2013 4:06 PM
To: Director - FASB
Subject: File Reference No. 2013 ‐ 220: Exposure Draft ‐ Financial Instruments ‐ Recognition and Measurement

May 31, 2013
Ms. Susan Cosper, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2013-220: *Exposure Draft-Financial Instruments-Recognition and Measurement of Financial Assets and Financial Liabilities*

Dear Ms. Cosper,

SECURA Insurance Companies appreciates the opportunity to provide comments on the Financial Accounting
Standards Board ("Board") Exposure Draft, *Financial Instruments-Recognition and Measurement of Financial Assets and Financial Liabilities* ("ED").

As a property-casualty ("P&C") insurance company, any accounting treatment that mismatches assets with liabilities presents a significant concern. It appears the proposed ED will result in certain instruments being classified into measurement categories that are inconsistent with the P&C insurance business model.

Accounting mismatching for insurance companies

The overall business model in the insurance industry requires the entity to broadly match its assets with its liabilities. An insurance company's asset strategy can be extremely complex. It can involve the use of instruments and investments such as derivatives, debt instruments, investment property, mortgage loans and equities.

P&C Insurers' business strategy often includes holding assets for purposes other than trading or selling in the near term. The new proposal would result in many instruments being measured at fair value through net income ("FV-NI"). This contradicts the Board's insurance contract proposal. Under that proposal, changes in the insurance liability arising from changes in discount rates are required to be recognized in OCI regardless of the classification and measurement applied to the insurer's underlying assets. This will result in less relevant and understandable information for financial statement users. Additionally, the ED does not provide any consideration for the significance of potential cash flows that are not solely payments of principal or interest ("SPPI"). Under the new ED, certain instruments that would otherwise classify as fair value through other comprehensive income ("FV-OCI") or Amortized Cost ("AC") classification and measurement, would subsequently be measured at FV-NI due to the presence of cash flows that are not significant and do not meet the strict definition of "solely" payments of principal and interest.

We support an approach that would use the business model to define the criteria for classifying and measuring financial assets at AC or FV-NI and designate FV-OCI as the “default” category. We also recommend the board expands the definition of the SPPI test to include “substantially all” the cash flows of the instrument that are payments of principal and interest.

We further recommend that this proposal be considered in its entirety with an effective date simultaneous with the *Financial Instruments-Credit Losses* ED and the insurance contract proposal. The alignment of these dates is necessary to avoid confusion on the part of the users given that these standards are all so closely linked.

Thank you for considering our comments. If you have any questions or wish to discuss our comments, please contact me at (920) 830-4371.

Sincerely,

Jeffrey R Kargus
Controller
SECURA Insurance Companies

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