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September 30, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

**RE: (File Reference No. 1810-100)
Accounting for Financial Instruments and Revisions to the Accounting for Derivative
Instruments and Hedging Activities**

Dear Mr. Golden:

Erie Indemnity Company (“Erie Indemnity”) appreciates the opportunity to comment on the proposed Accounting Standards Update (“ASU”) “Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities” (“the Proposal”). Erie Indemnity is a publicly held corporation that since 1925 has been the managing Attorney-in-Fact for the subscribers of Erie Insurance Exchange, a subscriber owned reciprocal insurer that writes property and casualty insurance. Erie Indemnity has an investment portfolio of approximately \$11 billion, which includes a limited partnership portfolio in excess of \$1 billion invested across over 100 different funds and over 1,300 different investments.

We support the Financial Accounting Standards Board’s (“FASB’s”) decision to address accounting for financial instruments on a comprehensive scale. We also recognize and understand the importance of the FASB’s approach regarding the use of fair value as the default measurement for most investments. However, we disagree with the proposed revisions to equity method accounting included in the Proposal.

The concept of significant influence over the investee as a criterion for the application of the equity method of accounting is closely related to issues considered in current consolidation guidance (Accounting Standards Codification (“ASC”) Topic 810). Furthermore, the equity method changes in the Proposal would create an additional divergence between the International Accounting Standards Board’s (“IASB”) and the FASB’s financial instrument proposals. We believe the proposed changes in the criteria and application of the equity method of accounting would be more properly aligned in a document that addresses issues surrounding consolidation or combination of related entities.

The Proposal would limit the use of equity method accounting to those investments where the investor has significant influence over the investee and the operations of the investee are considered to be “related to” the investor’s consolidated operations. Investments not meeting the requirements for the revised equity method of accounting would require fair value reporting as of the reporting entity’s measurement date. While the intent of this requirement is to provide investors with transparent and relevant information about an entity’s exposure to financial instruments, challenges exist in the ability to obtain relevant fair value data as of a reporting entity’s measurement date surrounding certain investments. Particularly,

limited partnership investments currently reported under the equity method would require subjective fair value estimations for which there is no consistent approach that would produce meaningful results.

We request that the FASB remove the equity method accounting revisions as a component of the Proposal. If such revisions are not removed, we respectfully request incorporating guidance to permit an entity to use an investee's most recent available financial statements as an estimate of fair value consistent with previous equity method guidance.

We have included our response to Question No. 4 in Appendix A.

We welcome the opportunity to further discuss our comments in this letter. If you have any questions or would like any additional information regarding our comments, please do not hesitate to contact me at (814) 870-7186.

Sincerely,

A handwritten signature in black ink that reads "Marcia A. Dall". The signature is written in a cursive, flowing style.

Marcia A. Dall
Executive Vice President and Chief Financial Officer
Erie Indemnity Company

Appendix A

Question 4: The proposed guidance would require an entity to not only determine if they have significant influence over the investee as described currently in Topic 323 on accounting for equity method investments and joint ventures but also to determine if the operations of the investee are related to the entity's consolidated business to qualify for the equity method of accounting. Do you agree with this proposed change to the criteria for equity method of accounting. If not, why?

We do not agree with the proposal to amend ASC Topic 323 to limit the use of the equity method to those equity investments where the investor has significant influence over the investee and the operations of the investee are considered to be related to the investor's consolidated operations.

The concept of significant influence over the investee as a requirement for the equity method of accounting is more closely aligned with the guidance in ASC Topic 810 (Consolidation). Therefore, we do not feel it is appropriate to propose changes to equity method accounting as part of this financial instruments exposure draft.

The proposed changes to the equity method are also a divergence from the IASB's financial instruments proposal. The equity method concept has not been included in the IASB's proposed guidance on financial instruments, nor does current IASB guidance include a relationship criterion as part of equity method accounting. Inclusion of the proposed equity method changes will create a difference which is in conflict with the stated goal of the FASB and IASB to narrow or eliminate differences between U.S Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS"). We therefore request that this proposed change be removed from the Proposal.

Our primary concern with changing the reporting for investments currently accounted for under the equity method focuses on reporting the fair value of these equity investments at the reporting entity's measurement date and the ability of the investee to provide reliable information in a timely manner.

Investees, such as general partners, are typically not able to supply fair value information as provided through their limited partnership financial statements in time to meet the filing deadlines of a large accelerated filer.

Consideration has been given to estimating the activity between the most recent financial statements and the current reporting date. However, we do not feel that any estimates would provide reliable, accurate, or meaningful information in most scenarios for the following reasons:

- a) Estimates of earnings and changes in the fair value from the limited partnerships for the current quarter's activities are generally not available within the time requirements to meet financial statement filing deadlines. The processes and procedures used by the general partner require a substantial amount of time and effort in order to provide a reliable fair value. Any estimates provided by the partnership could be substantially different from the ultimate fair values.
- b) Fair value estimates obtained from the general partners of these investments could not be easily substantiated by a reporting entity's personnel to ensure accuracy of the estimate.
- c) The use of publically traded indices as an estimate of the change in value over the measurement period is not appropriate given the low correlation of limited partnerships to

public markets. The identification of applicable benchmark indices to use as an estimation technique is difficult.

- d) Estimates involve significant judgments that could lead to diversity in practice and reduce comparability of results among companies, resulting in less meaningful information for financial statement users.

As a result, we believe the most relevant, meaningful and accurate information for users of the financial statements are the fair values from the limited partnership's most recently available financial statement, reported on a lag. Any lag should be consistently applied and clearly disclosed in the financial statements.

The accounting guidance in ASC Topic 323 Investments – Equity Method and Joint Ventures permits that if the financial statements of an investee are not sufficiently timely for an investor to apply the equity method currently, the investor ordinarily shall record its share of the earnings or losses of an investee from the most recent available financial statements. If the proposed changes to the equity method are not removed from the ASU, we respectfully request that similar language be incorporated into fair value guidance (ASC Topic 820) if limited partnerships previously reported under the equity method will now be reported at fair value as a result of this change.

We propose the following change to ASC Topic 820 Fair Value (as underlined and in bold):

820-10-35-59: A reporting entity is permitted, as a practical expedient, to estimate the fair value of an investment within the scope of paragraphs 820-10-15-4 through 15-5 using the net asset value per share (or its equivalent, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) of the investment, if the net asset value per share of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.

820-10-35-60: If the net asset value per share of the investment obtained from the investee is not as of the reporting entity's measurement date or is not calculated in a manner consistent with the measurement principles of Topic 946, the reporting entity shall consider whether an adjustment to the most recent net asset value per share is necessary. **The investor may conclude the net asset value per share from the investee's most recent available financial statement represents the best estimate of fair value for the investment. If this is the case, the investor shall record the net asset value per share from the investee's most recent available financial statement. A lag in reporting shall be consistent from period to period.** The objective of any adjustment is to estimate a net asset value per share for the investment that is calculated in a manner consistent with the measurement principles of Topic 946 as of the reporting entity's measurement date.