Berkley Surety Group, LLC



October 7, 2010

Technical Director Financial Accounting Standards Board 407 Merritt 7 PO Box 5116 Norwalk, CT 0856-5116

Re: File

File Reference No. 1820-100

Proposed Revenue Recognition Changes for Contractors

Dear Sirs:

We are writing to you in response to the above referenced Exposure Draft. As a matter of background, Berkley Surety Group, LLC is one of the 20 largest surety companies in the United States. We have been active in the surety industry as a company issuing bonds for contractors for nearly 30 years and have thousands of construction clients throughout the United States. We at Berkley Surety are very concerned about the proposed changes and ask the FASB reconsider this proposal. Berkley Surety is a member of many of the associations that represent the construction industry that have already provided their own response to this issue. In particular, we have received and reviewed the AGC, CFMA, NASBP, and SFAA responses. Rather than repeat these comments, we want to assure FASB that we are in agreement with the comments made in each of these drafts. In addition, we have further concerns that we hope FASB considers.

As one of the primary users of the financial statements of contractors in the extension of billions of dollars of surety credit annually, we rely heavily on the credit analysis models we have developed over the years. Should FASB adopt these standards, we foresee significant additional costs to Berkley Surety and our competitors in attempting to adapt to these standards. In particular, we would be forced to expend significant time, energy, resources, and dollars to rewriting our underwriting systems, creating new credit models, and retraining all of our employees. This all must come from somewhere, and it most certainly will involve redirecting these resources from the underwriting and issuing of bonds. This is likely to be a lengthy process that could have a significant impact on the availability of bonds to contractors while this process is completed. We also believe that these same issues will arise with the banking industry in their extension of credit to contractors.

In addition to the significant projected cost to the surety industry and the banking industry, there are projected additional costs to our contractor clients that they may not be able to absorb while there is a protracted decrease in construction activity and significant struggles within the

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industry. Software will need to be replaced, training will need to occur, and without question accounting fees will increase dramatically for our clients at a time when expense management is paramount to long term survival. Further burdening an already reeling industry could have a long lasting ripple effect of surety and bank losses that could impact the entire construction industry for years.

Berkley Surety supports FASB in their IFSR efforts to the extent that the changes are reasonable and the impact to the user of the financial statement is not prohibitive. With this proposal, we feel the impact is significant and strongly urge FASB to consider refining the draft to properly carve out the very specific intricacies of the construction industry.

We are available to discuss our issues further with FASB at any time and ask that you feel free to contract us with any questions you may have.

Very truly yours,

BERKLEY SURETY GROUP, LLC.

as Surety Underwriting Manager for Acadia Insurance Company, Berkley Regional Insurance Company, Carolina Casualty Insurance Company, Continental Western Insurance Company, and Union Insurance Company

David Pesce, Vice President Underwriting