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December 15, 2010

Ms. Leslie F. Seidman  
Acting Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**RE: (File Reference No. 1870-100)  
Preliminary Views on Insurance Contracts**

Dear Ms. Seidman:

Erie Indemnity Company (“Erie Indemnity”) appreciates the opportunity to comment on the Discussion Paper (“DP”), *Preliminary Views on Insurance Contracts*.

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 & casualty insurance in 11 states and the District of Columbia. Erie Indemnity and Erie Insurance Exchange also own several subsidiaries that write property & casualty insurance as well as a subsidiary that writes life insurance and annuity contracts. Under Accounting Standards Codification (“ASC”) 810, *Consolidation*, the operations of Erie Insurance Exchange and its subsidiaries are consolidated into the financial statements of Erie Indemnity. The consolidated operations of Erie Indemnity generated over \$3.8 billion in premiums earned each of the past two years and includes an asset portfolio in excess of \$13 billion.

We appreciate the Financial Accounting Standards Board’s (“FASB’s”) decision to consider accounting for insurance contracts as a joint project between the FASB and the International Accounting Standards Board (“IASB”). We understand the IASB does not have a comprehensive set of standards for insurance contracts at the present time, and it is important for the IASB to develop these standards in a timely manner as many countries have already converted or are currently in the process of converting to International Financial Reporting Standards (“IFRS”). However, we are concerned with the aggressive timeline proposed by the IASB to finalize its guidance while key differences remain between the IASB and FASB preliminary views. As a large accelerated public filer, we have an interest in both proposals due to the pending decision by the Securities and Exchange Commission regarding the potential required future adoption of IFRS for U.S. public companies. We encourage both standard-setting bodies to reach a single converged guidance even if this would delay adoption.

The proposed development of a new set of standards so fundamentally different than the current FASB standards in Accounting Standards Codification (“ASC”) Topic 944, *Financial Services – Insurance*, causes us concern as the implications have far-reaching effects on our organization and shareholders. As a result, we have thoughtfully considered the views in the IASB Exposure Draft (“ED”) and the FASB preliminary views and offer the following comments regarding the proposed changes.

### **Separate Measurement Approaches for Short and Long-Term Contracts**

As a provider of both short-term property & casualty and long-term life insurance products, we believe there are inherent differences between the two that should be reflected in the accounting guidance. We support the use of an alternative approach for short-duration contracts which measures the pre-claims liabilities at the nominal value of unearned premiums less incremental acquisition costs and post-claims liabilities using the building-block approach. This approach retains the concept of the unearned premium reserve for pre-claims liabilities and removes the subjectivity involved in placing a risk adjustment on these reserves as proposed under the building-block approach.

The building-block approach for long-duration contracts and an alternative approach for short-duration contracts incorporate all of the components necessary to adequately measure insurance contract liabilities. We support the fulfillment cash flow measurement objectives with the inclusion of acquisition costs as defined in Accounting Standards Update 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* (“ASU 2010-26”) and agree that it is appropriate to discount the cash flows under the building-block approach to properly reflect the time value of money.

### **Selection of a Discount Rate**

The proposed guidance regarding use of the discount rate in the IASB ED, which is supported by the FASB, does not provide enough clarity for us to support the guidance as written. Without additional clarification, the guidance as proposed would result in inconsistencies in the discount rate. Instead, we would support a discount rate that can be correlated to a corporate index method (for example, a AA corporate bond). This rate would achieve the same basic goals as the proposed risk-free rate plus a liquidity premium, but allow for a more definitive rate to reduce subjectivity and promote comparability among insurers.

### **Composite Margin**

We support the use of a composite margin as proposed by the FASB for the measurement of insurance contract liabilities under the building-block approach and the allocation of this margin across the coverage and claims handling period using the proposed ratio. The two-margin approach as proposed by the IASB is extremely subjective, hinders comparability among insurers, and may allow the potential for earnings manipulation. While the two-margin approach is intended to provide more detailed information on the risks and pricing behaviors of the insurer, the subjectivity and operational challenges of this approach far exceed the benefits of providing detailed information to a limited number of sophisticated users.

### **Financial Statement Presentation**

As stated in the background of the FASB DP, the purpose of the insurance contracts project is to improve U.S. Generally Accepted Accounting Principles (“GAAP”) for insurance contracts by developing high-quality guidance that addresses recognition, measurement, presentation, and disclosure. We believe that the proposed views in the FASB DP achieve many of these goals from a recognition and measurement perspective, but fall significantly short from a presentation and disclosure standpoint.

The summarized margin presentation proposed by the IASB for contracts using the building-block approach does not simplify financial statement presentation. There are too many unfamiliar, complex components presented on the face of the financial statements, with familiar items (premiums, losses, etc.) delegated to footnote disclosures. Although this will provide the reader with significant additional information, the presentation is not in a format that is intuitive to the general user. The premium presentation approach, as proposed in the IASB ED for short-duration contracts only, provides a more intuitive approach to presenting the income statement components in a manner familiar to most financial statement users.

We support the use of a premium presentation approach with a true-up as described in paragraph 119 of the FASB DP for insurance contracts measured under the building-block approach as it retains many of

the familiar components of the current financial statement presentation. Any additional information necessary to understand the changes in the insurance liabilities should be included in the proposed reconciliations and disclosures in the financial statement footnotes. Further, a premium presentation approach for both short and long-term contracts will enable consistency in reporting for insurers with multi-line contracts.

**Disclosures**

Overall, we agree with the general principles of the disclosures as proposed in the IASB ED. However, as proposed, they are too extensive and provide more information than is necessary for the general readers of the financial statements to assess the financial condition of the company. The proposed information related to other risk factors may be considered proprietary in nature and we do not consider this information relevant for external users of the financial statements.

**Conclusion**

We respectfully request that the FASB consider our comments and take sufficient time to develop a quality set of standards which will result in meaningful financial statements and disclosures to the majority of the users of the statements. As there will be considerable implementation costs and effort associated with the proposed changes, we also request that the FASB thoughtfully considers whether the benefits provided by these changes exceed the costs. We have included our response to selected questions 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,



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

## Appendix A

***Question 7: Do you agree with the use of the probability weighted estimate of net cash flows to measure insurance contracts? Does that approach faithfully represent the economics of insurance contracts? Is it an improvement over existing U.S. GAAP?***

We agree in theory that the use of probability weighted estimates of net cash flows is an appropriate way to measure insurance contracts. However, probability weighted estimates for property & casualty insurance contracts are subject to extreme subjectivity due to the variety of possible scenarios inherent in the property & casualty claims (net cash outflows). The proposed guidance is vague regarding the methods for estimating the cash flows which will lead to reduced comparability between companies. As a result, we request that additional guidance be included specifying the approach for determining the probability weighted estimates of net cash flows. If sufficient guidance is provided to reduce subjectivity and improve comparability, then we believe the probability weighted estimates of net cash flows may represent a more accurate measurement for the liability of insurance contracts than under current U.S. GAAP.

***Question 8: Do you think that an entity's estimate of the net cash flows should include a risk adjustment margin?***

We do not support the use of separate risk and residual margins within the measurement of the insurance contract liability. The risk margin is intended to represent the explicit risk inherent in the insurance contract while the residual margin is intended to reflect the pricing behavior of the insurer (The amount representing the difference between the price and the liability balance needed to eliminate any gain upon inception).

The number of assumptions required to calculate the risk margin, as well as the three approaches permitted by the proposed IASB ED, significantly increase the subjectivity of the calculation while reducing comparability with other companies. The numerous assumptions used in the calculation of the risk margin also may allow for potential manipulation of results.

The subjectivity inherent in the risk adjustment calculation makes it operationally challenging to accurately determine both the risk adjustment and residual margin upon inception. This is a critical juncture because although the risk adjustment is re-assessed every period, the residual margin is locked in. If companies with similar portfolios allocate different amounts to the risk and residual margins, they will never be comparable even if they re-assessed the risk margins to be similar in future periods.

Therefore, as a practical expedient, we support the use of a single composite margin as proposed by the FASB for the measurement of insurance contracts. A composite margin removes the subjectivity inherent in the risk margin calculation as well the related comparability issues when risk and residual margins are allocated differently among companies with similar portfolios.

***Question 9: Is the objective of the risk adjustment margin understandable? If so, do you think that the techniques for estimating the risk adjustment margin (see paragraph 52(b)), faithfully represent the maximum amount that the insurer would rationally pay to be relieved of the risk that the ultimate fulfillment cash flows exceed those expected?***

We agree that the objective of the risk adjustment margin is understandable from an actuarial perspective. Please see our response to Question 8 above. However, as there is no active, efficient market for insurance liability contracts, it is impossible to determine whether any of the three approaches proposed in the IASB ED is a faithful representation of the maximum amount that the insurer would rationally pay to be relieved of the risk that the ultimate fulfillment cash flows exceed those expected.

***Question 10: Do you think that the risk adjustment margin would be comparable for entities that are exposed to similar risks?***

Comparability is an essential component of the usefulness of financial statements. Information provided within the financial statements is primarily used to assess the financial condition of the company as well as compare it to others in the industry. The risk adjustment margin, as proposed in the IASB ED, requires so many assumptions that it inherently reduces comparability of results among entities exposed to similar risks. As it would be impossible to achieve comparability with the use of separate risk and residual margins, we support the use of a composite margin consistent with the FASB DP view. See our response to Questions 8 for additional information.

***Question 11: Do you agree with the description of cash flows that should be included in the measurement of an insurance contract? Is the proposed guidance operational?***

We agree with the description of cash flows that should be included in the measurement of an insurance contract and believe that the proposed guidance is operational. We do, however, have concerns with the proposed guidance regarding contract boundaries established at the bound date vs. coverage date.

For property & casualty contracts, there is typically a very short time frame between the bound and coverage dates. Currently, liabilities are recorded at the coverage date and information is easily available within our systems to gather this data. A change to the bound date would require substantial re-configuration of information systems to gather this information for an immaterial period of time. We believe the costs of this change would far exceed any benefit.

Further, renewal policy processes may result in duplication of contract liabilities for the same policyholder if a renewal contract is bound prior to termination of the coverage date for an existing contract. We do not believe this was the intent of the guidance and encourage the FASB to re-consider the language in the contract boundary section before final guidance is issued.

***Question 12: Do you agree that the carrying amount of all insurance contracts should be discounted if the effect is material? Do you agree with the proposed guidance on the discount rate that should be used to measure the carrying amount of insurance contracts? If not, which discount rate should be used?***

We agree that the carrying amount of all insurance contracts should be discounted if the effect is material. We further agree with the IASB on two important concepts they considered when developing this guidance. First, we agree the discount rate should not be an asset-based rate. A discount rate based on the expected return on the assets supporting the liabilities may drive the insurer to riskier investments than

under ordinary circumstances. Secondly, we agree that an entity's own credit risk should not be considered in the determination of the discount rate. However, the proposed guidance in the IASB ED, which is supported by the FASB, does not provide enough clarity for us to support the guidance as written.

The proposed guidance requires insurance liabilities to be discounted at a risk-free rate, adjusted for liquidity. However, no further clarification is provided as to how the liquidity premium should be determined. Without additional clarification, the guidance as proposed would result in inconsistent calculations for the discount rate. Instead, we would support a discount rate that can be correlated to a corporate index method (for example, a AA corporate bond). This rate would achieve the same basic goals as a risk-free rate plus a liquidity premium, but allow for a more definitive rate to reduce subjectivity and promote comparability among insurers.

***Question 13: Do you think that acquisition costs should be included as one of the cash flows relating to the contract? If not, how would you account for acquisition costs?***

We agree with the views of the IASB and FASB that acquisition costs as a component of the cash flows should be included in the measurement of the insurance contract liability.

***Question 14: Do you agree that acquisition costs included in the cash flows used in the measurement of the insurance contract should be limited to those that are incremental at the individual contract level? If not, which acquisition costs, if any, would you include in the measurement of the insurance contract?***

We agree with the proposed guidance which includes incremental acquisition costs as a component of the net cash flows used in the measurement of the insurance contract liability. However, we support the guidance recently issued by the FASB in ASU 2010-26 for the definition and allocation of these costs. ASU 2010-26 is more specific than the proposed guidance in the IASB ED which should result in increased comparability among insurers for this component of the cash flows.

***Question 15: Do you agree with the use of either the composite margin approach or two-margin approach to measure the net insurance contract? Does either approach faithfully represent the economics of insurance contracts? Is either approach an improvement over the measurement used in current U.S. GAAP?***

As mentioned in our responses to Questions 8 and 10 above, we support the use of a composite margin approach for the measurement of insurance contract liabilities. The two-margin approach is extremely subjective, hinders comparability among insurers, and may allow the potential for earnings manipulation. While a two-margin approach is intended to provide more detailed information on the risks and pricing behaviors of the insurer, the subjectivity and operational challenges of this approach offset any benefits. Further, the benefits of additional detailed information would only be appreciated by limited users of the financial statements with actuarial knowledge. The costs to implement the two-margin approach as proposed would be excessive and would greatly exceed any benefits offered by this approach. See our response to Question 25 for further discussion regarding implementation costs.

***Question 16: Do you think that the composite margin should be recognized in earnings in subsequent periods using the ratio described in paragraph 83? If not, how would you recognize the composite margin in earnings?***

We agree with the ratio proposed in paragraph 83 for amortization of the composite margin in earnings. This ratio balances the rate at which premium is earned (and losses incurred) and the rate at which losses are paid. Under this methodology, the majority of the revenue is recognized as premiums are earned and the remainder is recognized at the same rate losses are paid out. This method appears systematic and consistent with the traditional matching principle of accounting.

***Question 18: Do you think that all insurance contracts should be recognized and measured using one approach or that some insurance contracts should be recognized and measured using an alternative approach (for example, the modified approach) Why or why not?***

As a provider of both short-term property & casualty and long-term life insurance products, we believe there are inherent differences in the short- and long-duration contracts. Accounting guidance for these contracts should reflect those unique differences.

Short-term insurance contracts can be viewed much like a commodity or product. In a short-term property & casualty contract, the term is known, but there are significant uncertainties surrounding the risk. There are infinite scenarios that can occur regarding the amount and extent of claims that are incurred. This makes it very difficult to assess a risk adjustment under techniques proposed in the IASB ED.

The IASB ED proposes a building-block approach in which a risk adjustment margin is calculated upon policy inception using only one of three permitted techniques. The assumptions for this adjustment are then re-assessed each period and any changes in estimates would flow through the current period income and loss. For short-term contracts such as property & casualty contracts, it is very difficult to accurately predict the risk for these contracts, as the outcome is highly uncertain. As a result, re-assessments will continually change the risk-adjustment calculation leading to increased volatility in the financial statements.

We support the use of an alternative approach for short-duration contracts which measures the pre-claims liabilities at the nominal value of unearned premiums less incremental acquisition costs and post-claims liabilities using the building-block approach. This approach retains the concept of the unearned premium reserve for pre-claims liabilities and removes the subjectivity involved in placing a risk adjustment on these reserves as proposed under the building-block approach.

***Question 19: If an alternate approach is required for some insurance contracts, what recognition, measurement, and presentation provisions should be applied (including those items noted in paragraph 106)?***

As discussed in our response to Question 18, we support an alternative approach for short-duration contracts similar to the modified approach proposed in the IASB ED. An alternative approach would retain many of the characteristics and presentation provisions of current U.S. GAAP insurance contract accounting which are familiar to investors, analysts and other financial statement users.

In regards to the items noted in paragraph 106 of the DP, our opinions are provided below:

- **We believe that an alternative approach should include acquisition costs in the pre-claims liability.**
- **We do not support the accretion of interest on the pre-claims liability.** The cost and effort involved to charge interest on this portion of the short-duration contracts exceeds any benefits of carrying them at present value. In addition, the additional interest expense and changes in discount rate assumptions presented on the face of the income statement may confuse the reader and divert focus from the primary components of premiums revenue and claims expenses.
- **We support the use of an onerous contract test for short-duration contracts as proposed in the IASB ED.** An onerous contract test will allow for any portfolios that are priced as a loss to be recognized as a loss upon inception, consistent with the building-block approach.
- **We support the allocated premium presentation approach for short-duration contracts.** With this presentation, the unearned premiums and loss reserves are separate liability components in the statement of financial position and the income statement presents premiums earned, insurance losses, and policy acquisition expenses. Under the allocated premium presentation approach, the financial statement presentation would continue to allow short-term contracts to present premiums earned and losses and expenses on the face of the financial statements. This will preserve the calculation of the GAAP combined ratio (losses and expenses divided by premiums earned) from information presented on the face of the income statement. The GAAP combined ratio is a key metric used by management and other financial statement users to quickly measure the insurance company's overall operating profitability. This fundamental industry ratio will help maintain a level of comparability and familiarity in statements that are undergoing substantive change.

***Question 20: Do both the building-block approach and the modified approach (with the latter approach applied only to certain short-duration contracts) produce relevant and decision-useful information? Why or Why not?***

As stated in the background of the FASB DP, the purpose of the insurance contracts project is to improve U.S. GAAP for insurance contracts by developing high-quality guidance that addresses recognition, measurement, presentation, and disclosure. Furthermore, it is intended to improve, simplify, and achieve convergence of the financial reporting requirements for insurance contracts and to provide investors with decision-useful information. We believe that the proposed views in the FASB DP achieve many of these goals from a recognition and measurement perspective, but fall significantly short from a presentation and disclosure standpoint.

The building-block approach for long-duration contracts and the modified approach for short-duration contracts incorporate all of the components necessary to adequately measure insurance contract liabilities. We support the fulfillment cash flow measurement objectives with inclusion of acquisition costs as defined in ASU 2010-26 and agree that it is appropriate to discount cash flows under the building-block approach to properly reflect the time value of money. We support the use of the composite margin as proposed in the FASB DP and the allocation of this margin across the coverage and claims handling period. Most importantly, we support the use of a modified approach for short-duration liabilities and the separate calculations for pre- and post-claims liabilities. We believe the retention of the unearned premium reserve (modified for the inclusion of acquisition costs) helps preserve the comparability among insurers by removing the subjectivity assessing a risk adjustment on the pre-claim liabilities.

In contrast, the margin presentation for the income statement as proposed by the IASB ED for contracts using the building-block approach does not simplify financial statement presentation. The proposed

additional information is not in a format that is intuitive to the average reader and will require readers to do additional research in the footnotes to gather key volume metrics. In addition, the proposed disclosures from the IASB ED are extensive and provide more information than necessary to assess the financial condition of the company.

See our responses to Questions 28 and 31 for additional information on our views regarding financial statement presentation and disclosures.

***Question 21: How should the scope of insurance products for each approach be defined (for example, duration of coverage period, duration of claims payment period, or type of insurance)?***

We believe that the measurement and financial statement presentation should be separated into two approaches based on duration of coverage period. Contracts with a duration of twelve months or less should use one approach and contracts greater than twelve months should use a second approach.

***Question 22: Are there specific types of insurance contracts for which the approaches would not provide decision-useful information?***

Please see our response to Question 20, which is provided from our perspective as both a property & casualty and life insurer.

***Question 25: What are the incremental costs of adopting the alternatives described in this Discussion Paper? Please separately describe one-time costs and ongoing costs.***

It is difficult to accurately assess the incremental costs of adopting these proposed changes when so many critical components are still unresolved from a FASB perspective (two margin vs. composite margin approach, alternative approach for short-duration contracts, transition provisions, etc.).

At a minimum, we have considered the following one-time costs for implementation:

- Actuarial and financial reporting system changes
- Consulting and/or additional actuarial and accounting resources for the transition period
- Additional external audit fees during transition
- Accounting and actuarial staff training
- Educating financial statement users regarding changes

Additional actuarial and financial resources will also be required to perform the additional significant processes and controls necessary under the proposed guidance. Currently, the actuarial reserving and financial reporting processes for insurance contracts required for U.S. GAAP and statutory reporting as required by our state regulators are similar and do not require two separate systems or significant additional resources to produce both U.S. GAAP and statutory financial statements. The proposed changes in the IASB ED and FASB DP are so significantly different from current statutory reporting that dual reporting and processes will be required. Unless the Statutory Accounting Principles (“SAP”) from the National Association of Insurance Commissioners (“NAIC”) are revised to conform to the proposed

changes, the costs required to maintain two separate processes and reporting systems will be significant ongoing costs.

***Question 28: The margin presentation approach highlights the changes in the insurance liability, rather than the current approach in U.S. GAAP, which presents among other items, premium revenues, benefits paid, operating costs, and changes in loss estimates. Would this change improve your understanding of the performance of an entity that provides insurance (for some types of insurance or for all)? Please explain.***

We do not believe the margin presentation approach as outlined in the IASB ED would improve the understanding of an insurance company's performance, particularly for short-duration contracts. There are too many unfamiliar, complex components presented on the face of the financial statements, with familiar items (premiums, losses, etc.) delegated to footnote disclosures. Although this will provide the reader with significant additional information, the proposed presentation is not in a format that is intuitive to the general reader. The premium presentation approach, as proposed in the IASB ED for short-duration contracts only, provides a more intuitive approach to presenting the income statement components in a manner with which most readers are already familiar.

***Question 29: Should insurance contracts measured under the building-block approach be presented using a margin presentation approach or a premium presentation approach that would require a true-up amount as described in paragraph 119 (for example, the written allocation presentation approach or the allocated premium presentation approach)?***

We support the use of a premium presentation approach with a true-up as described in paragraph 119 of the FASB DP for insurance contracts measured under the building-block approach. The margin presentation is such a fundamental change from current U.S. GAAP presentation that it will create confusion for readers of the financial statements who do not have a technical understanding of the proposed changes. The premium presentation approach retains many familiar components of the current financial statement presentation. Any additional information necessary to understand the changes in the insurance liabilities presented in the statement of financial position can be included in the proposed reconciliations, rollforwards, and disclosures in the financial statement footnotes.

***Question 30: Should short- and long-duration (or nonlife and life) contracts be presented in a similar manner even if such contracts are measured under different approaches?***

See our response to Question 29 above. We support a consistent financial statement presentation for all contracts regardless of the measurement approach used. A consistent presentation is especially important for multi-line insurers to maintain simplicity of reporting on the face of the financial statements. The two presentations are so radically different that the combination of both on the face of the financial statements would create unnecessary confusion for the users. Any additional information needed to support the liability components should be disclosed in the financial statement footnotes.

***Question 31: Do you agree with the proposed disclosures in the IASB's Exposure Draft? Why or why not? If not, what would you recommend and why?***

We agree with the general principles of the disclosures as proposed in the IASB ED pertaining to insurance risks, significant inputs, and reconciliation of liability components. However, we would request that the disclosures be reduced regarding the other risks arising from insurance contracts

(paragraphs 93-96 of the IASB ED). These disclosure requests are too extensive and request information that may be considered proprietary in nature. Further, we do not see how providing this information enhances a financial statement user's ability to assess the financial position of an insurance company.

***Question 32: After considering your views on the specific issues contained in this Discussion Paper and the IASB's Exposure Draft, what do you think would represent the most appropriate improvement to U.S. GAAP?***

- a. Pursue an approach based on the IASB's Exposure Draft?***
- b. Pursue an approach based on the IASB's Exposure Draft with some changes? Please explain those changes.***
- c. Pursue an approach based on the Board's preliminary views in this Discussion Paper?***
- d. Pursue an approach based on the Board's preliminary views in this Discussion Paper with some changes? Please explain those changes.***
- e. Make targeted changes to address specific concerns about current U.S. GAAP (for example, items included in paragraph 7)? Please describe those changes.***

After consideration of the proposed IASB ED, the preliminary views of the FASB, and current U.S. GAAP, we believe that option (d), an approach based on the Board's preliminary views in this discussion paper with some changes, represents the most appropriate improvement to U.S. GAAP.

We agree with all of the desired improvements outlined in Paragraph 7 of the FASB DP. The preliminary views of the FASB DP support all of those positions. Most importantly, we support the use of the composite margin as advocated by the FASB DP over the risk and residual margin model proposed by the IASB ED.

We recommend the FASB DP incorporate the following suggestions:

- Additional guidance related to the calculation of the probability for cash flows (See response to Question 7).
- Revisions to the discount rate used to calculate the time value of money of the insurance contract liability to a more definitive rate correlated to a corporate index (See response to Question 12).
- The use of an alternative approach for recognition of short-duration contracts (See responses to Questions 18-20).
- Inclusion of the onerous contract testing for short-duration contracts under the modified approach to testing at a portfolio level as proposed in the IASB ED (See response to Question 19).
- The use of the premium presentation approach for both short and long-duration contracts (See responses to Question 28-30) with disclosures of the margin component information included in the financial statement footnotes.
- Reduced disclosures regarding risk factors other than insurance risk (See response to Question 31).

With these changes, we agree that the proposed changes to accounting for insurance contracts would be an improvement over current U.S. GAAP.