

Ms. Leslie Seidman FASB Acting Chair 401 Merritt 7, P.O. Box 5116 Norwalk, CT 06856-5116

Sir David Tweedie IASB Chair 30 Cannon Street London, EC4M 6XH United Kingdom December 1, 2010

Dear Sirs:

Thank you for the opportunity to comment on the Lease Exposure Draft (ED) issued on August 17, 2010.

Great American Insurance Group's roots go back to 1872 with the founding of its flagship company, Great American Insurance Company. Great American and its affiliated property and casualty insurers of the Great American Insurance Group provide high-quality, specialized commercial insurance products and services that protect business assets in the US nationwide. Our Equipment Finance Solutions group is the single source in the equipment leasing and finance industry for a complete range of specialty insurance solutions ranging from equipment coverage to protection for everyday business risks. For more than 20 years, we have researched the needs of leasing companies and financial institutions and developed solutions to help small to large businesses.

Great American Insurance Company has been continuously rated "A" (Excellent) or higher by A.M. Best Company for more than 100 years (as of March 27, 2009). Great American is also one of only 14 companies that have held an A.M. Best rating of "A" (Excellent) or better for 75 years or more.

The members of the Great American Insurance Group are subsidiaries of American Financial Group, Inc. (AFG), also based in Cincinnati, Ohio. AFG's common stock is listed and traded on the New York Stock Exchange (NYSE) and NASDAQ under the symbol "AFG."

We are very familiar with the leasing industry as a service provider to the industry. In our opinion the leasing industry is an important capital provider to small and large companies in the US and around the world.

We agree with the theory that lessee lease obligations arising from material operating leases should be capitalized, but we think the proposed approaches for lessee and lessor accounting do not reflect the economics of lease transactions. We

believe that the amount capitalized as proposed will be excessive as contingent rents and "most" likely renewals do not meet your own definitions of a liability for the lessee or an asset for the lessor. The proposed pattern of lease costs for lessees creates a front ended expense pattern that charges P&L with non-cash expenses in the early portion of the lease term. Capitalizing more than the true liability exacerbates the front ending of lease costs. We feel that current lessor accounting is not a serious financial reporting issue and never required the extensive changes proposed. In particular, in leveraged lease accounting, a lease should be retained as an asset as it reflects the unique attributes of the structure recording only the assets of the lessor that are true assets. "Grossed up" rents are not an asset of the lessor and cannot be sold by the lessor.

Our concern is that the proposal will be damaging to the economy as lessees' and lessors' reactions to the proposal will have adverse consequences that could be avoided if alternative views were adopted. The alternative views would not impact the overall objective of capitalizing lessee operating lease obligations. Since all companies lease the impacts will affect all companies. We were pleased to see the alternative view to the ED expressed by Mr. Steve Cooper of the IASB.

We see the impact of front ended lease costs causing lessees to employ strategies to offset the reduction in reported earnings which might include:

- a. Raising prices of their products to raise revenue;
- b. Reducing costs in other areas like reduction of staff;
- c. Negotiating shorter lease terms.

These strategies will be harmful to the global economic recovery.

We see the ballooning of balance sheets (capitalized leases at too high an amount, miss-matched asset/liability amortization) and the front ending of lease costs reducing stock prices of lessees. The stock market impacts consumer confidence and it impacts pension funding which is now in crisis.

The lessor models proposed will increase the costs of leasing to lessees as lessors will have to raise prices to offset back ended earnings patterns caused by the cash basis accounting for the residual, the reduction in amounts and volume of sales type leases and the gross up of leveraged leases. Increased lease costs will further depress lessee share prices or cause them to react with other strategies to offset the higher costs like cutting costs or raising their prices (both detrimental to economic recovery).

We hope that the Boards reconsider the details that we cite above. We know that many accounting issues have alternative solutions and Mr. Cooper's view includes part of what we think should be changed in the ED.

Sincerely,

Ken Schneider Vice President – Specialty Equipment Services Division Great American Insurance Group kwschneider@gaic.com