

James M. Olsen VP, Accounting and Investment Policy

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Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 2011-220

Property Casualty Insurers Association of America (PCI) welcomes the opportunity to respond to the request for comments from the Financial Accounting Standards Board (FASB) on the Proposed Accounting Standards Update – Consolidation (Topic 810): Principal versus Agent Analysis (proposed ASU).

PCI's more that 1000 member insurance companies write over \$180 billion in annual premium, which represents more than 38 percent of the property casualty insurance coverage written in the United States.

Our membership includes reciprocal insurance exchanges which employ a managing attorney-in-fact structure. The purpose and intent of the guidance in the proposed ASU may be applied to an attorney-in-fact for a reciprocal insurer as it performs a role very similar to the role an investment manager provides to the funds it manages. In its capacity as an agent of the reciprocal insurer the attorney-in-fact has a fiduciary duty to subscribers/policyholders of the reciprocal insurer; is not required to absorb losses of the reciprocal insurer; has a right only to the market- based fee from the reciprocal insurer; and is not obligated to financially support the reciprocal insurer.

Our concern with the proposed ASU is that the focus regarding compensation is based on the size of the management fee paid to the attorney-in–fact without regard to the components comprising the fee. The attorney-in-fact for a reciprocal insurer is responsible for providing policy acquisition services including sales, and underwriting. The inclusion of reimbursement for these costs in the management fee increases the gross amount of the fee over what may be included in the fee of an investment manager. Therefore we suggest additional language be added at the end of Paragraph 810-10-25-39j to clarify that if the compensation agreement is the only interest that exists and the magnitude of the compensation is the result of recovery of costs paid by the decision-maker as part of the compensation agreement, the decision maker should be presumed an agent regardless of the magnitude of the fee.

If you have any questions, please contact me at your convenience.

Sincerely,

James M. Olsen

VP, Accounting and Investment Policy