



**Mortgage
Insurance
Companies
of America**

Suzanne C. Hutchinson
Executive Vice President

September 25, 2012

Financial Accounting Standards Board
c/o Ms. Leslie Seidman, Chairman – File Reference No. 2012-200
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Financial Accounting Standards Board (“FASB”) Exposure Draft,
Disclosures about Liquidity Risk and Interest Rate Risk – Financial
Instruments (“ED”)

Ladies and Gentlemen:

The Mortgage Insurance Companies of America (“MICA”) appreciates the opportunity to comment on the FASB’s ED issued on June 27, 2012. The Mortgage Insurance Companies of America (“MICA”) is the trade association representing the private mortgage insurance industry. Member companies provide mortgage insurance to loan originators and investors, which allows them to make funds available to home buyers with as little as 5-to-10 percent down payments – and even less for qualified borrowers – by protecting these institutions from a major portion of the financial risk of default.

We understand the goal of the proposed guidance is to provide comparable decision useful disclosures to financial statements users about a company’s exposures to liquidity and interest rate risk; however, we do not believe the proposed tabular quantitative disclosures would accurately highlight these risks or provide the financial statement users with appropriate information to properly identify and analyze such risks. In addition, we believe the information required by the proposed disclosures may, in some instances, be misused, misinterpreted and provide misleading information. Furthermore, the disclosures as proposed contain forward looking information that is material, and such disclosures would be better suited as part of the MD&A as discussed further below.

While the ED may result in standardized quantitative disclosures, we believe they fail to consider and capture the diversified and complex factors that affect both the risks and underlie the proposed required quantitative disclosure across the insurance industry. Evaluation and management of an insurance entity’s liquidity and interest rate risk

requires complex assumptions, substantial management judgment, intricate analysis and must be tailored to the individual company and/or product based on numerous variables. Such variables include, but are not limited to, the nature and type of insurance product, premium payment patterns, claim payment patterns, financial statement measurement attributes, types of assets held, investment philosophies employed, and the ever changing economic environment in which the entity operates. Two examples are outlined here that are demonstrative:

- Most mortgage insurance premiums are paid on a monthly installment basis. Industry accounting does not permit that the expected monthly installment receipts be accrued as receivables. These expected and reliable cash flows, however, are an important part of our cash flow projections and therefore, the Liquidity Gap Maturity Analysis table as required would be misleading as it would not include these cash flows as proposed.
- The proposed Liquidity Gap Maturity Analysis requires that the fair value of derivatives be translated into scheduled cash flow projections. Many insurance companies carry Level III derivatives for which many subjective assumptions would need to be made regarding the timing of market spread changes in order to translate market values into expected cash flows.

Given the variables across the industry, the value and usefulness of the proposed standardized tabular disclosures would wax and wane between companies and even products.

Matching of investment and liability duration and changes in interest rates may be important for certain types of longer duration products; however, for shorter duration products duration matching and interest rate movement is of much less importance due to the short time the entity is exposed to the risk of loss. Additionally, considerations may shift or fluctuate over time making standard disclosures less suitable for capturing these risks. Generally, for mortgage insurance companies operating under normal conditions, premiums and cash generated from operations are used to pay claims; however as a result of the recent market conditions some mortgage insurers have had to ensure investments are more liquid and maturities in the portfolio more closely aligned with expected claims payments to manage liquidity risk. In summary, the proposed tabular disclosures are inconsistent with the way insurance companies evaluate and manage these risks.

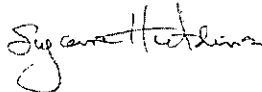
We believe a more appropriate path forward should involve partnering with the SEC to establish principals based MD&A

disclosures to address liquidity and interest rate risks as the SEC currently requires a contractual obligations table that is similar in nature to the maturity analysis table proposed in the ED. This would allow companies to include better insight into how such risk are managed as well as provide useful forward looking information, such as expected cash flows. The MD&A section of SEC filings are covered under safe harbor rules which are designed to protect management from liability associated with providing projections and forecasts; whereas, financial statements are not covered under such safe harbor rules. Given, the importance of projected cash flows to liquidity and interest rate risk analysis and the FASBs desire to provide financial statement users with additional useful information, the MD&A section appears to be a better suited for such disclosures. In addition to allowing preparer to disclose and discuss forward looking financial information, it would also allow them to tailor their disclosures to more closely align to their risk management process ultimately resulting in disclosure of more useful decision making information.

If the FASB does decide to move forward with the proposed disclosures in a manner substantially similar to those provided in the ED, we also believe the operational costs required to produce the disclosures will be significant relative to the benefit derived by the user.

If the board would like to discuss our comments further, please contact Suzanne Hutchinson at 202-682-2683.

Sincerely,

A handwritten signature in black ink that reads "Suzanne Hutchinson". The signature is written in a cursive style with a large initial 'S'.

Suzanne Hutchinson