September 2, 2010

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

Attn: Technical Director—File Reference No. 1660-100

To Whom It May Concern:

The Insco Dico Group is a privately owned group of insurance companies, and we specialize in underwriting Surety bonds for contractors and land developers. We operate in all 50 states. In 2009, we were the 18th largest writer of Surety bonds in the United States, according to premium statistics compiled by the Surety and Fidelity Association of America, our industry’s leading trade association.

We obtain fiscal year end financial statements on all of our hundreds of active contractor and developer clients. We rely on Audited or Reviewed fiscal year end financial reports as the primary basis for our analysis of our client’s performance, financial position, and ability to hold us, as Surety, harmless from losses. We are a very active end user of financial statements prepared by the accountants selected by our clients.

Since we specialize in providing Surety bonds to construction contractors, we have reviewed recent publications by your organization with great interest including “Preliminary Views on Revenue Recognition in Contracts with Customers”, and “Exposure Draft, Proposed Accounting Standards Update”.

The purpose of this letter is to recommend that construction contracts be an exception from the Board’s proposed approach. We recommend that the principles expressed in the AICPA’s Statement of Position 81-1 be preserved for revenue recognition of construction contracts, and to exclude construction contracts from the “new” approach recommended in your recent “Exposure Draft” and “Preliminary Views” publications.

SOP 81-1 has provided a consistent standard of reporting revenue and income for construction contracts for almost three decades. It is a well established industry standard, and the percentage of completion method is imbedded in our company’s analytical approach, underwriter training, and information systems. We feel that the new standards proposed by the Board will lead to less consistency in revenue recognition under construction contracts, and could increase the opportunity for profits reported to be “managed” by selection of differing revenue recognition methods for different construction contracts underway for the same contractor.

We thank you for your consideration.

Sincerely,

David H. Rhodes,
Executive Vice President

Steve Pate
Chief Underwriting Officer

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