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

Re: File Reference No. 2013-290: Proposed Accounting Standards Update - *Insurance Contracts (Topic 834)*

Members of the Financial Accounting Standards Board,

Thank you for the opportunity to comment on the FASB Insurance Contracts (Topic 834) Exposure Draft. I am a Fellow of the Casualty Actuarial Society and a member of the American Academy of Actuaries. I have 20 years experience working for a mid-sized property-casualty insurer and have concerns regarding the proposed guidance in the exposure draft. In this letter I am addressing only the impact of the exposure draft's impact on the P&C insurance industry.

I recommend that the Board retain the current accounting guidance for short-duration contracts and reject the guidance contained in the Exposure Draft"). I believe that the proposed guidance is not an improvement over current GAAP. The excessive complexity of calculations and subjective assumptions decreases both a financial statement's useful information and comparability of performance between contract issuing entities. This will lead to a lack of confidence in the financials and the ensuing danger is that stock analysts will find property-casualty insurance to be an undesirable sector for capital investment.

In summary, reasons for recommending this action are outlined below:

1. Not an improvement over current GAAP short-duration contract guidance
    a. Decreases financial statement's decision useful information
    b. Decreases comparability of financial statements between companies/entities
        i. Both of the above are due to excessive complexity specifically caused by the requirement to discount cash flows.
        ii. Discounting "<u>uncertain</u>" cash flows (1) distorts true performance, (2) increases subjectivity, (3) users would prefer to do their own discounting, (4) is costly to implement and maintain.
2. The cash flow measurement object of the "unbiased probability weighted estimate (mean)"
    a. Makes no provision for recognizing the uncertainty of potential outcomes (especially negative outcomes).
    b. Encourages minimally adequate reserves and increases solvency risks.
    c. Is not consistent with statutory accounting and, thus, widens the differences between GAAP and statutory accounting.
    d. Is not necessarily consistent with "sound" reserving practices preferred by insurance regulators and rating organizations (i.e. AM Best).
    e. Does not account for where enterprise risk management (ERM) measures may place optimal liabilities for a given risk appetite.

3. Requiring the Liability for Remaining Coverage to be earned proportionally to the incurred loss pattern

    a. Adds unnecessary complication as (1) all premium is earned within one year anyway, and (2) most companies' systems are set up to earn premium uniformly over time, therefore, unnecessary increase in cost with little increase in useable information.
4. Requiring contracts be grouped into "portfolios"
    a. Is not representative of how business is acquired, managed and measured,
    b. Will lessen comparability between companies due to many different portfolios constructed
    c. Does not conform to traditional property-casualty calendar-accident year measures because the cash flows from the traditional approach does not match cash flows from the identical contracts.

In closing, I strongly urge the Board to retain the current accounting guidance for short-duration contracts and reject the guidance contained in the Exposure Draft".

Sincerely,

Melissa Appenzeller
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