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January 28, 2011

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

**RE: (File Reference No. 1890-100)  
Effective Dates and Transition Methods**

Dear Board Members and FASB Staff:

Erie Indemnity Company (“Erie Indemnity”) appreciates the opportunity to comment on the Discussion Paper (“DP”), *Effective Dates and Transition Methods*.

Erie Indemnity is a publicly held corporation that since 1925 has been the managing Attorney-in-Fact for the subscribers of Erie Insurance Exchange, a subscriber owned reciprocal insurer that writes property & casualty insurance in 11 states and the District of Columbia. Erie Insurance Exchange also owns several subsidiaries that write property & casualty insurance as well as a subsidiary that writes life insurance and annuity contracts. The operations of Erie Insurance Exchange and its subsidiaries are consolidated into the financial statements of Erie Indemnity.

We appreciate the Financial Accounting Standards Board’s (“FASB’s”) decision to solicit comments from preparers, auditors, investors, and other financial statement users regarding the costs, effective dates, and transition methods for several of the larger joint FASB/International Accounting Standards Board (“IASB”) convergence projects. The proposed changes are fundamental to financial reporting and will require an extensive effort on the part of preparers to develop new systems, policies, processes, and controls to comply with the new requirements. In addition, investors and other users must be appropriately educated on these changes to understand the financial statement implications. As a result, it is imperative that these changes are implemented in a systematic and effective manner. Aggressive timelines for adoption on these complex proposals combined with significant retrospective application requirements will place enormous strains on internal and external resources and may jeopardize the overall quality of the financial statements and disclosures.

In addition, we believe that it is critical to consider the potential U.S. adoption of International Financial Reporting Standards (“IFRS”) when evaluating the implementation dates and methods for these proposals. If the Securities and Exchange Commission (“SEC”) decides to adopt IFRS, the timeline for that adoption must be incorporated into the overall plan for adoption of these convergence projects. The switch to IFRS alone is a monumental project that will require extensive internal and external resources, system re-configurations, process revisions, and financial statement user education. The combination of IFRS adoption with these convergence projects within the same time-frame has the potential to stretch resources beyond capacity and create significant confusion for investors and other financial statement users.

We respectfully request that the FASB consider our comments and develop an implementation plan that will consider the significant effort required by preparers to create accurate and meaningful financial

statements that will comply with the proposed changes. As there will be considerable implementation costs and effort associated with the adoption of these changes, we also request that the FASB thoughtfully considers whether the benefits provided by the decisions made regarding implementation exceed the costs. We have included our response to selected questions in Appendix A.

We welcome the opportunity to further discuss our comments in this letter. If you have any questions or would like any additional information regarding our comments, please do not hesitate to contact me at (814) 870-4201.

Sincerely,

A handwritten signature in black ink, reading "Gregory J. Gutting". The signature is written in a cursive style with a large, stylized initial "G".

Gregory J. Gutting  
Senior Vice President and Controller  
Erie Indemnity Company

## Appendix A

***Q1. Please describe the entity (or the individual) responding to this Discussion Paper.***

***For example:***

***a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.***

Erie Indemnity is a large-accelerated SEC filer which prepares its financial statements in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”).

***b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.***

Since 1925, Erie Indemnity has been the managing Attorney-in-Fact for the subscribers at Erie Insurance Exchange, a subscriber owned reciprocal insurer that writes property & casualty insurance in 11 states and the District of Columbia. Erie Insurance Exchange also owns several subsidiaries that write property & casualty insurance as well as a subsidiary that writes life insurance and annuity contracts. Under Accounting Standards Codification (“ASC”) 810, *Consolidation*, the operations of the Erie Insurance Exchange and its subsidiaries are consolidated into the financial statements of Erie Indemnity. The consolidated operations of Erie Indemnity generated over \$3.8 billion in premiums earned each of the past two years and includes an investment portfolio in excess of \$11 billion. The consolidated operations are staffed by more than 4,200 employees at the home and field offices. Erie Indemnity’s common stock is listed on the NASDAQ exchange (ERIE).

***c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.***

N/A

***d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.***

N/A

***e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).***

Erie Indemnity has accounting transactions for the majority of the proposed standards included in this discussion paper. We have previously issued comment letters for the insurance contracts and financial instruments proposals as these are the most significant to us. The following is a brief summary of the significance each of these projects has to Erie Indemnity and the required costs, time and resources for implementation:

### Insurance Contracts:

As the management company for an insurance exchange that is consolidated into our financial statements, the proposed change to insurance contract accounting is the most material item affecting Erie Indemnity. Although this proposal is still in the discussion paper phase with the FASB and final decisions have yet to be made on some key issues, the proposed changes may require fundamental changes to our actuarial and accounting systems. Significant internal and external accounting, actuarial, and information technology resources will be required to implement these changes and develop processes and controls to meet the new measurement, presentation, and disclosure requirements, which will result in substantial additional costs. In addition, retrospective application of these proposed changes will require significant cost and effort to obtain data for prior periods if that information was not previously gathered.

### Financial Instruments:

Erie Indemnity has a variety of investments including fixed-income and equity securities as well as a limited partnership portfolio. The proposed changes to accounting for financial instruments will involve system re-configurations to our investment accounting system for the measurement of our debt and equity securities and related investment income.

Our greater concern is the valuation of our limited partnership portfolio. The current proposed guidance would eliminate our ability to utilize equity method accounting for limited partnerships and would require these investments to be recorded at fair value. Our limited partnership portfolio includes over 1,000 investments across over 90 funds. New systems, processes, and controls would be required to measure these investments at fair value.

Additionally, we recognize that there is an important interrelationship between the financial instruments and insurance contracts proposals to maintain consistent measurements for financial assets and liabilities. As a result, we recommend using the same effective dates for both proposals.

### Leases:

Erie Indemnity has approximately 2,000 leases for various property and equipment which are recorded as operating leases under current accounting guidance. The proposed new guidance is a fundamental change involving the addition of numerous processes to estimate lease payments, amortize interest, bi-furcate service components, and continually re-assess lease changes. Additional personnel and system resources will be required to implement, manage, and maintain these changes. In addition, new controls must also be developed for the new processes.

### ***Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):***

- a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?***

Each of the above proposals has different components requiring varying degrees of training and implementation time frames. Further, the total time required will be dependent upon which elements of each proposal are eventually included in the final issued guidance, as there are some elements of the proposed guidance that are much more complex and time consuming than others.

It is also important to consider that the same internal resources will be involved for many of these issues, especially for the financial reporting portions of the proposals. This could considerably lengthen the implementation time for each project or require additional external resources, at significant additional costs, to assist with implementation.

***b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?***

The above proposals all require similar types of implementation costs. New systems and related testing, training, and implementation costs will most likely be required for many of the proposals. Also significant are the internal personnel costs required to learn the guidance, develop new processes and controls, and create new reports to reflect the changes in financial statement presentation and disclosures. Sizeable external consulting expenses may also be incurred if multiple projects become effective at the same time. Additionally, external audit costs will be considerably increased for the additional time required to understand and audit the new procedures, controls and reports created as a result of the new requirements.

***Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?***

The proposed insurance contracts guidance conflicts significantly with the U.S. statutory reporting requirements of the state insurance regulators. Currently, the actuarial reserving and financial reporting processes for insurance contracts required for U.S. GAAP and statutory accounting principles (SAP) are similar and do not require separate systems or significant additional resources to produce both types of financial statements. The proposed changes in the IASB exposure draft and FASB discussion paper are so significantly different from current statutory reporting that dual reporting and processes will be required. As a result, the costs required to maintain two separate processes and reporting systems will be significant ongoing costs for Erie Indemnity.

The financial instruments guidance also conflicts with SAP requirements for insurance companies. If the revisions to equity method accounting remain in the proposed guidance for financial instruments, the processes, reporting and controls related to the accounting for our limited partnership portfolios could be significantly different under U.S. GAAP and SAP and may require additional systems to maintain.

Additionally the proposed lease changes will also require additional accounts and separate reporting for U.S. GAAP and SAP, but to a much lesser extent than the insurance contracts and financial instruments changes discussed above.

***Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.***

In general, we recognize that full retrospective application is the preferred transition method for application of new guidance as it provides investors and other financial statement users with the most comparative information possible. However, the costs and efforts required to obtain this information must also be weighed against the benefits of comparability. As a result, we provide the following recommendations for each proposed standard.

**Insurance Contracts:**

As the insurance contracts proposal is the most significant to our operations, we support a full retrospective method of transition for this standard. While we know that this will result in significant time and effort to obtain all of the data necessary to provide this information for prior periods, it is the only way to obtain the necessary comparability for the users of our financial statements as well as

comparability with other companies within the industry. As a result, it is imperative that sufficient time be provided between the issuance of final guidance and the effective date in order to provide adequate time to obtain the information needed for retrospective adoption.

Financial Instruments:

We agree with retrospective application of this proposed guidance for all of the provisions in this proposal with the exception of the provision pertaining to the removal of the use of equity method of accounting for certain investments. If this provision remains in the final guidance, it would result in significant costs and efforts to obtain and value our limited partnership investments at fair value from inception. A limited retrospective application would be preferable and would not significantly affect the balances on our financial statements.

Leases:

We agree with the limited retrospective application method of transition for the proposed leases standard, and understand the basis for the FASB/IASB decision. However, we would suggest that the Boards also consider permitting the prospective method for entities whose leases are not material to their overall financial statements. This would enable companies with immaterial leases to reduce the costs of implementation related to obtaining prior period data for interim and annual prior period disclosures and allow these companies to focus their efforts on other proposed convergence standards which are material to their financial statements.

Financial Statement Presentation:

We support the retrospective method of transition for the financial statement presentation convergence project, as any other method would create too much confusion for readers of the financial statements.

Comprehensive Income:

We support the retrospective method of transition as proposed.

***Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:***

- a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).***

Erie Indemnity supports a sequential approach for implementation. We believe this is necessary due to the limited amount of both internal and external resources available to make such monumental changes. While a single date approach would allow for all of the retrospective restatements to be made at the same time, it is not a practical solution. The insurance contracts project by itself is such a fundamental change to our financial reporting system that it will require most of our available internal resources. To adopt all of the proposals concurrently would require extensive use of external consultants, of which the pool would be greatly reduced due to demand. This could also drive up the costs for external consulting and potentially reduce the quality of the consulting services available. In addition, the use of external resources would not allow our internal accounting personnel to gain the knowledge necessary to understand the changes for future reporting. A sequential approach would allow us the time needed to implement all of the changes accurately with sufficient resources to produce quality meaningful financial statements and disclosures to the readers.

***b. Under a single date approach, what should the mandatory effective date be and why?***

N/A – We support a sequential approach.

***c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.***

We propose the following order and timeline for implementation of the proposed new standards:

1. Other Comprehensive Income – proposed effective date 1/1/13
2. Leases – proposed effective date 1/1/14
3. Financial Instruments – proposed effective date 1/1/16
4. Insurance Contracts – proposed effective date 1/1/16
5. Financial Statement Presentation – proposed effective date 1/1/17

Also, it is important to consider that the potential adoption of IFRS by the U.S. could affect these implementation dates. A complete adoption of IFRS reporting and disclosure requirements is a project in and of itself that will additionally constrain internal and external resources and will also require additional information system changes.

***Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?***

We do not support the option for early adoption for insurance contracts, financial instruments, leases, or financial statement presentation. The changes in these proposals are so extensive that comparability among companies utilizing different standards would be greatly impacted. We believe it would also lead to significant confusion for investors and other financial statement users.

***Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?***

We do not support delayed effective dates for particular entities on any of these proposals. However, if delayed effective dates are permitted for particular types of entities, we recommend that early adoption not be permitted for these entities in order to retain comparability among entities. See our response to Q6 regarding early adoption.

***Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?***

We support consistent effective dates and transition methods for the FASB/IASB joint projects. With the potential U.S. adoption of IFRS by the SEC, it is imperative that the transition methods for the comparable standards be consistent. See our response to Q5c for consideration of IFRS adoption in effective date determination.