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

Members of the Financial Accounting Standards Board:

I am an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries. I have 19 years experience working in the actuarial profession, in both pricing and loss reserving. I have reviewed the proposed guidance in the exposure draft and have several concerns. I am addressing only the impact of the exposure draft's impact on property-casualty contracts.

I would like to recommend that the Board retain the current accounting guidance for short-duration contracts and not adopt the guidance contained in the exposure draft.

My reasons for recommending this action are as follows:

1. The proposed guidance is not an improvement over current GAAP short-duration contract guidance.
 - a. It results in less decision useful information
 - b. It reduces the comparability of financial statements between companies
 - i. Both of the above are due to excessive complexity specifically caused by the requirement to discount cash flows.
 - ii. Discounting "uncertain" cash flows (1) distorts true performance, (2) increases subjectivity, and (3) is costly to implement and maintain.
2. The cash flow measurement objective of the "unbiased probability weighted estimate (mean)"
 - a. Makes no provision for recognizing the uncertainty of potential outcomes.
 - b. Encourages minimally adequate reserves and increases solvency risks.
 - c. Is not consistent with statutory accounting, thus widening 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).
3. Requiring the Liability for Remaining Coverage to be earned proportionally to the incurred loss pattern
 - a. Adds unnecessary complication with little increase in useable information, as (1) all premium is earned within one year anyway, and (2) most companies' systems are set up to earn premium uniformly over time.
4. Requiring contracts to 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 being constructed.

In closing, I urge the Board to retain the current accounting guidance for short-duration contracts.

Sincerely,


Donia Freese, ACAS, MAAA