



Via Email

**October 25, 2013**

Ms. Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merrit 7  
PO Box 5116  
Norwalk, CT 06856-5116

Dear Ms. Cospers:

**File Reference No. 2013-290: *Insurance Contracts* (Topic 834)**

NextEra Energy, Inc. ("NextEra Energy") is a public company with 2012 revenues of more than \$14 billion. Its captive insurance subsidiary, Palms Insurance Company, Limited ("Palms") provides coverage for workers' compensation, automobile liability, and property risks of NextEra Energy and its subsidiaries.

NextEra Energy appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Insurance Contracts (Topic 834)* (the "Proposed Update"). We support the overall objective of the Financial Accounting Standards Board and the International Accounting Standards Board (collectively the "Boards"), to increase the decision usefulness of the information about an entity's insurance liabilities. However, we would like to express our concerns with respect to the application of discounting to "uncertain" cash flow patterns to account for the time value of money for short-duration contracts. The Proposed Update suggests that incurred claims under the premium allocation approach (PAA) be measured as the present value of expected fulfillment cash flows. The ultimate value or cost of a property claim (or other type of potentially insured loss) is usually not known until sometime after the actual loss event is reported and the timing of any eventual settlement and payment is also an unknown variable. Our experience is that property claim payments are usually made within one to three years of the incurred claim. We strongly believe that the complexity and additional judgment the Proposed Update would require are unnecessary. The time value of money component is simply not significant enough in such short periods (1 to 3 years) to justify the additional cost and time to perform the discounting calculation. Furthermore, Palms and the users of the financial statements are ultimately concerned with the adequacy of carried reserves, which a nominal (undiscounted) incurred loss balance, as required by current guidance, provides. The practical expedient included in the Proposed Update does not require an entity to discount the incurred claims liability when the effects of discounting are immaterial or if incurred claims are expected to be paid within one year of the insured event. However, we respectfully ask the Boards to consider expanding the practical expedient to include all short-duration contracts as currently defined in Topic 944.

## Conclusion

Thank you for taking the time to consider the comments of NextEra Energy relating to the Proposed Update. The proposed changes to short-duration contracts appear to have a significant effect on the insurance industry and collectively we encourage the Boards to consider not amending current guidance relating to the short-duration contracts. We would be happy to respond to any question or to participate in any discussion relating to the issues highlighted in this letter.

Sincerely,



Chris N. Froggatt  
Vice President, Controller and Chief Accounting Officer