The following people have submitted the same comment letter as the one shown.

JERRY ZENKE	MOUND PRAIRIE MUTUAL INSURANCE COMPANY
DEAN MCHUGH	CARTHAGE MUTUAL INSURANCE COMPANY
G. DARLENE MCLERREN	HICKORY COUNTY FARMERS MUTUAL INSURANCE COMPANY
SANDRA BEAR	WATSEKA MUTUAL INSURANCE COMPANY
MARLENE A. BENTON	FULMONT MUTUAL INSURANCE COMPANY
ASHLEY MAKI	NORTHERN MUTUAL INSURANCE COMPANY
RICHARD L. BLANKENSHIP	MUTUAL INSURANCE ASSOCIATION OF SOUTHERN INDIANA
MARK T. PRECHTL	CHAUTAUQUA PATRONS INSURANCE COMPANY
DAVID G. HENDRIX	OHIO MUTUAL INSURANCE GROUP
JAMES J. KENNEDY	OHIO MUTUAL INSURANCE GROUP
KEVIN C. BANWART	PHARMACISTS MUTUAL INSURANCE COMPANY
MARY JO ROBISON	LAPRAIRIE MUTUAL INSURANCE COMPANY
RYAN M. DUDLEY	GRANGE INSURANCE ASSOCIATION
LIESL KREISCHER	MILLVILLE MUTUAL INSURANCE COMPANY
RONALD KOESTER	CAMERON INSURANCE COMPANIES
R. DAN SCOTT	KANSAS MUTUAL INSURANCE COMPANY
VINCENT G. NOGGLE	FRANKLIN MUTUAL INSURANCE COMPANY
GEORGE H. GUPTILL, JR.	FRANKLIN MUTUAL INSURANCE COMPANY
SANDY SEIFERT	SENECA, SIGEL MUTUAL INSURANCE COMPANY
TARA BROOKS	AFR INSURANCE
DAVID B. JOHNSON	AUGUSTA MUTUAL INSURANCE COMPANY
CHARLES M. JONES	PLN MUTUAL INSURANCE COMPANY
BOBBY W. YOUNG	FARMERS MUTUAL INSURANCE COMPANY OF GRANVILLE PERSON VANCE
MICHAEL M. YOUNG	MMG INSURANCE COMPANY
SUSAN TUKEL	LECMPA
KEVIN L. TATE	THE PHILADELPHIA CONTRIBUTIONSHIP
TERRENCE L. MILLER	SFM MUTUAL INSURANCE COMPANY
JEFF MURPHY	MARSHALL MUTUAL INSURANCE COMPANY
RANDALL H. CARPENTER	GRAYSON-CARROLL-WYTHE MUTUAL INSURANCE COMPANY
SHERMAN OYER	WEST AND KNOX MUTUAL INSURANCE COMPANY

ROGER BALLARD	COLUMBIA MUTUAL INSURANCE COMPANY
PAUL G. SEPPEL	INDIANA FARMERS MUTUAL INSURANCE
PAUL G. STUEVEN	FAIRMONT FARMERS MUTUAL INSURANCE COMPANY
W. NEAL MENEFEE	ROCKINGHAM MUTUAL INSURANCE COMPANY
CHRISTOPHER MCNULTY	GNY INSURANCE COMPANIES
KATHY BEACH	NORTHERN FINNISH MUTUAL INSURANCE
ERIC SCHMADER	FARMERS MUTUAL FIRE INSURANCE COMPANY
TERRY M. GRAS	OSTEGO MUTUAL FIRE INSURANCE COMPANY
CHARLES A. PRALL	NEW JERSEY MANUFACTURERS INSURANCE COMPANY
JEFF REEVES	GRAYSON-CARROLL-WYTHE MUTUAL INSURANCE COMPANY
MICHAEL J. DELAAT	LOUISIANA WORKERS' COMPENSATION CORPORATION

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October 17, 2013

Ms. Susan M. Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

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

Dear Ms. Cosper:

We are part of the U.S. property/casualty insurance industry in the United States, the largest non-life insurance industry in the world with annual direct written premiums nearly half a trillion dollars – 25 percent of the property/casualty premiums written worldwide.

My company, Mound Prairie Mutual, is a very small company serving rural and small towns in Minnesota. We have 3500 policies in force with premium income of just a little over four million. The company has been serving the southeast portion of Minnesota since 1884.

We support the efforts of the FASB and IASB to develop a consistent global and financial reporting framework that includes insurance contracts. Current U.S. GAAP as it applies to insurance entities is used in the United States and throughout much of the world. This model has been tested, proven, and improved upon for decades and is widely supported by insurance regulators, financial statement users, and preparers alike. FASB has provided revisions and updates over the years and worked with regulators, users, and preparers to keep the current U.S. GAAP model current, relevant, and closely aligned with NAIC statutory accounting. This has been a great asset to the insurance industry.

I am writing to you today to express significant concern about the FASB proposal to replace the current U.S. GAAP standard with the Insurance Contracts Exposure Draft (the "ED"). Mound Prairie Mutual is opposed to the changes included in the ED for many reasons, and we support the concerns expressed in the comment letter submitted by the National Association of Mutual Insurance Companies. Here are a few of our key concerns.

- U.S. GAAP vs. Statutory Accounting – The ED is a drastic departure from existing insurance financial reporting practice.
    - The trend toward reserves that are discounted to present value and estimated using a probability-weighted cash-flow mean does not reflect the conservatism of the property/casualty industry – especially mutual insurers like Mound Prairie Mutual.
    - State regulators will likely reject the new approach in favor of more reliable and predictable undiscounted reserving methodologies. In this situation, companies required to file under both GAAP and statutory accounting systems will have to maintain two separate reporting processes.

- This will be very costly and confusing to those relying on these statements.

- Changes in Claim Reserving Practices – For property/casualty insurers like Mound Prairie Mutual , the requirement to move to unbiased probability-weighted cash flow reserving is the item that will increase cost the most and provide the least benefit. For the very small companies like ours the cost will be very prohibitive and could put a 129 year old company out of business. If the 600 small farm mutuals in the United States are forced to merge or dissolve, the costs to the public will
  - The use of an unbiased, probability-weighted estimate of future cash flows is inconsistent with current property/casualty reserving practices as well as statutory accounting practices.
  - The current reserving practice relies on a mix of models and judgments such that the reserve recorded is a "conceptual" mean as opposed to a probability-weighted "statistical" mean.
  - Changing actuarial practice for reserving will fundamentally change the way we conduct our business. In addition, there are numerous assumptions required under the proposed actuarial approach that will add to variations between similar companies.
  - The added volatility in reserves, the time and cost of revising the practices, the loss of comparability, and lack of material benefit all support our position that FASB should reject this change in U.S. GAAP standards.

- Comparison Between Companies – One of the primary objectives of financial reporting is to achieve consistency in reporting among entities to enhance the ability to compare results from company to company and from industry to industry. The whole point of the convergence effort is to achieve consistency in reporting among companies around the world. However, the ED is so full of optional approaches and new terminology with vague definitions that it will not produce consistency between companies.
  - Statement users and auditors will struggle to understand what each financial statement means without reviewing a series of disclosures.
  - Even then, it will be difficult to conduct a fair comparison between companies choosing to report under different measurement models or using different discount rate selection methods, for example.
  - The unnecessary complexity and optionality embedded in the proposed standard will add further to the cost and confusion.

- Loss of Critical Historical Information – The current U.S. GAAP for insurance entities provides rich historical data illustrating trends and details that have facilitated insurance industry development over decades. The replacement of the current system will result in the loss of this data for comparative and trend applications. This will be a critical loss for actuarial, underwriting, rating, and performance purposes. It will take decades to replace this wealth of information, and the industry, statement users, rating agencies, and, ultimately, consumers will suffer as a result.

- Cost of Implementation – The benefits, if any, of the new standards have not been identified by our company, but the costs of these proposed changes are very evident. From that standpoint, it is not difficult to conclude that the costs outweigh the benefits.
  - The costs will include lost historical data, changing reserving practices, replacing IT systems, retraining employees, and the potential loss of valid information for solvency assessments.
  - We will need to add accounting, actuarial, auditing, and IT resources to implement and transition to these new systems.

- In each discipline, there will be new development, training, interpretation, testing, auditing, and controls to establish and implement.
- Smaller insurers like Mound Prairie Mutual do not have the resources to implement or maintain these new systems.
- Mound Prairie Mutual is already overwhelmed with new reporting requirements.
- These significant costs come at a time when state regulators have required us to submit new enterprise risk reports, pay for new risk-focused examinations, comply with enhanced RBC requirements, and meet new corporate governance obligations.

For these reasons, I urge FASB to retain the current U.S. GAAP standard for insurance financial reporting. International accounting convergence around the current U.S. GAAP standard would help retain comparability for financial reporting of insurance contracts, understandability, and decision-useful information for regulators and other stakeholders.

It is my sincere hope that the FASB board of directors/governors will reconsider replacing the current U.S. GAAP standard for insurance with the Insurance Contracts Exposure Draft. At a minimum, we strongly urge thorough field testing to work out all of the issues and concerns raised by Mound Prairie Mutual and other property/casualty insurers before adopting any revisions.

Sincerely,

Jerry Jacobie, Treasurer