

Letter of Comment No: 20
File Reference: EITF03-1
Date Received: 9/28/04



Robert J. Price
Sr. Vice President & Controller

September 27, 2004

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: FSP EITF No. 03-1-b, Effective Date of Paragraph 16 of EITF Issue No. 03-1 The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments

Dear Mr. Herz:

The Hartford Financial Services Group, Inc., is writing to express concern regarding the limited scope deferral of FSP EITF Issue No. 03-1-b. We believe the deferral of paragraph 16 regarding an investor's need to assert the intent and ability to hold a debt security that is temporarily depressed or impaired to a minor extent until a forecasted recovery as well as justification of changes in intent, was a prudent step to allow for public debate and due process. We also believe however, that other changes imposed by EITF 03-1 are significant and will effectively change SFAS 115, potentially requiring substantial process and procedural changes as well as system infrastructure modifications. Accordingly, we believe the entire standard, (paragraphs 6 through 20), except for the disclosures requirements, should be delayed to allow for the other-than-temporary impairment concept to be publicly exposed and for the costs and benefits of the proposed changes to be further analyzed.

At a minimum and specifically related to Issue 2 of the Requests for Comment, we recommend that the application of paragraph 12 be delayed to allow for the concept of minor impairments of securities within the scope of paragraphs 10 through 15 to be analyzed and subjected to public due process. The price of securities within the scope of paragraphs 10 through 15 may be temporarily impacted by normal interest rate, sector spread and price volatilities, similar to debt securities within the scope of paragraph 16. For example, equity securities may include highly rated perpetual preferred securities that, although accounted for as an equity security, are more akin to debt and could be temporarily depressed due to normal interest rate and sector spread movements. The lack of absolute certainty in the recovery of a security should not preclude the practical and conceptual merits of characterizing "minor impairments" as being temporary. We do not support different thresholds for declaring intent and ability to hold based upon the form of the security as it could result in the overstatement of impairments for those securities held to a lower threshold and therefore misstate future ongoing income for those same securities as they are accreted to their realizable value.

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In addition, by not deferring the application of paragraph 12, investors will likely record impairments without the justifications for changes in intent and ability to hold criteria being clarified and fully resolved. This will result in inconsistent other-than-temporary impairment recognition and may require investors to ultimately reverse previously recorded other-than-temporary impairments.

Without an impairment level that can be considered temporary, we expect to record other-than-temporary impairment losses for all securities within the scope of paragraphs 10 through 15 in an unrealized loss position in order to maintain the flexibility to manage our portfolio as deemed necessary. The infrastructure changes necessary to record keep the affected securities on a lower of cost or market basis through the income statement are likely to be substantial.

Thank you for the opportunity to express our concerns regarding FSP EITF Issue No. 03-1-b and we appreciate your consideration of this matter. I can be reached at 860.547.8495 if you would like to discuss the contents of this letter.

Sincerely,

Robert J. Price
Senior Vice President and Controller