



XL Capital Ltd
XL House
One Bermudiana Road
Hamilton HM 11
Bermuda
Tel: (441) 292-8515
Fax: (441) 292-8618
www.xlcapital.com

R. Golden, Esq.
Technical Director
FASB
401 Merritt 7
PO Box 5116
Norwalk, CT
06856-5116



LETTER OF COMMENT NO. 48

January 15, 2009

Dear Mr. Golden,

Proposed FSP FAS 107-a

XL Capital appreciates the opportunity to comment on the proposed FASB staff position FSP FAS 107-a.

Our principal comments are as follows:

1. We agree that some form of enhanced disclosure regarding asset valuations and impairments at a balance sheet date would be beneficial. In particular, we consider that disclosure of the amount of OTTI not relating to credit on securities still held could assist users of financial statements. This would provide an indication of the value expected to be recorded in future financial statements and of the extent to which a company's management consider OTTIs recorded not to represent underlying economics. However we find the proposals to be too broad in scope and that disclosure at an aggregate level would be difficult for financial statement readers to use.

As an example consider a security that was purchased at par of 100 with a coupon of 4% and at the balance sheet date trades at 60, which provides an implicit yield of, say 8%. If the security is an available for sale security, fair value and carrying value will be 60 and the incurred loss amount will be a higher amount, say 75. We consider that the difference of 15 would be useful information for a financial statement user as it represents the amount of OTTI recorded that does not relate to credit and which would be expected to reverse in future periods.

If the holder purchases the same security in the market at the date that the impairment is recognized, the fair value and carrying value for that security will be 60 and so will the incurred loss amount. For a company to hold two identical securities with the same cashflows but yet to have a measurement basis (in this case the incurred loss amount) that shows two different figures for those securities seems nonsensical. Further when aggregated, the link between the level of OTTI taken and the degree to which it is expected to reverse will no longer be clear.

Accordingly we recommend that any additional disclosure be limited to those securities for which an impairment charge has been recorded.

2. The reconciliation of income statements on current GAAP to those prepared on pro forma bases using fair value and incurred loss amount bases seems of limited use to us and we do not support this element of the proposal.



3. Production of the information proposed is an immense task requiring major adjustments to systems and to processes and controls. We do not consider it to be practicable to undertake changes of this magnitude within the timescale proposed and would recommend a significantly later implementation date.

Our responses to the specific questions you raise are as follows:

1. We agree that further disclosures about impairments would be useful. However the different valuation bases in current GAAP reflect the different natures of the underlying securities and of companies' intentions as to when they will dispose of them. In our opinion, producing pro forma financial information on a common basis across all securities is of limited benefit and would be delivered only at significant cost. Further we consider that aggregating disclosures for impaired and unimpaired securities is not beneficial.
2. We disagree with the exclusion of financial assets measured at fair value through the income statement. In part, the proposals are intended to provide further information on how assets have been valued and upon value that should be recorded in future periods as a result of impairments taken. Such considerations apply to assets irrespective of whether movements in fair value are reflected in the income statement or on the balance sheet.
3. We do not believe these disclosures would improve financial reporting. The three figures proposed would be different and would provide little information without detailed reconciliations. Differences arising on securities purchased and sold during the reporting period would mean that users would be unable to derive much reliable information without detailed reconciliations. This would require substantial expense to achieve. A number of the differences would be notional items and we doubt that there would be enough benefit to justify such a cost.
4. See answer to question 3.
5. We do not consider implementation within the proposed timeframes is possible. Production of the information proposed is an immense task requiring major adjustments to systems and to processes and controls. We do not consider it to be practicable to undertake changes of this magnitude within the timescale proposed and would recommend an implementation date no earlier than the fourth quarter of 2009 with earlier adoption permitted. We do not believe that disclosure of comparative period information would be of particular relevance to a user of the financial statements either on implementation or at future reporting dates.
6. We consider that it is likely to be possible to provide balance sheet disclosures earlier than income statement disclosures and would recommend that any such disclosures be operational at an earlier date.

Thank you for the opportunity to provide our views. If you have any questions regarding the comments in our letter, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Simon Rich'.

Simon Rich
Senior Vice President, Corporate Controller