



D. Keith Bell
Senior Vice President
Accounting Policy

The Travelers Companies, Inc.
One Tower Square, 6PB A
Hartford, CT 06183

Phone: 860-277-0537
Email: d.keith.bell@travelers.com

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Technical Director – File Reference: Proposed FSP FAS 157-e
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116



Via E-mail:
Attn: director@fasb.org
File Reference: Proposed FSP FAS 157-e

LETTER OF COMMENT NO.

375

Re: *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed*

Dear Sir or Madam:

The Travelers Companies, Inc. (Travelers) appreciates the opportunity to comment on the Financial Accounting Standards Board's (the FASB or the "Board") Proposed FSP FAS 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed* (FSP FAS 157-e). Travelers is a leading provider of property/casualty insurance products and services to a wide variety of businesses and organizations as well as to individuals. In support of our property/casualty liabilities, Travelers holds a significant investment portfolio of over \$70 billion in invested assets at December 31, 2008. In this letter we will be commenting as both a preparer of financial statements as well as a user of financial statements.

Consistent with our letter to the SEC and FASB on December 12, 2008, we conceptually agree with the intent of the proposal since we believe that FASB Statement No. 157, *Fair Value Measurements (FAS 157)* does not work well when the fair value of securities based on market transactions is not relatively synchronized with the present value of future cash flows of the securities. We are concerned, however, with the following aspects of FSP FAS 157-e:

- Regardless of the current pressures, we do not believe that it is appropriate for the Board to change the measurement attribute of FAS 157 in a FASB Staff Position. We believe that an overall consideration of the appropriate measurement attribute for securities in a distressed state is needed, rather than having two different definitions of fair value, with one being a *fair value in use* attribute.

- We believe that it is important for the *use* of the asset to be considered in any discussion of a “correction” to the measurement of financial asset. In our view, it would be inappropriate for entities to follow this guidance for trading portfolios or any asset that the entity intends to sell. Additionally, as an investor, we do not believe that it is appropriate for Investment Companies to be subject to the proposed guidance.

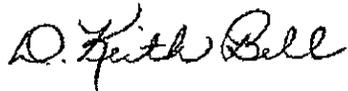
We believe that comparability will suffer considerably for the following reasons:

- FSP FAS 157-e allows significant subjectivity in the determination of the modeled value. We would expect that the objective should be a present value objective incorporating a reasonable risk charge which would use a current evaluation of the risk of the security and a more normalized liquidity premium; however, it is not clear in the proposed guidance that this is the objective.
 - The determination of a distressed transaction is very subjective and may lead different entities to a different determination as to whether the quoted price is associated with a distressed sale. Additionally, instead of being precluded from using the information from distressed transactions, the preparer should be allowed to use the information as an input to determining fair value if it is relevant to the fair value determination.
- We believe that many preparers have reviewed the pricing practices of their third party valuation servicers and are comfortable with the prices they receive. Many of these preparers may not wish to incur the costs to apply FSP FAS 157-e, especially for nominal benefits. Although it may increase non-comparability amongst companies, we believe that many users would gain comfort with companies that continue to use third party pricing services that derive their *price quotes from observable market information*. We suggest that the Board insert a practical expedient in the final guidance to allow preparers to use fair value as originally intended, and disclose the practice.
- In addition to the point above, we are also concerned with the potential of receiving a price from the third party pricing service that may be for a security in an inactive market and potentially a distressed transaction. Logically, it would seem that the bias would be towards using the value from the pricing service, however, it does not appear that FSP FAS 157-e was constructed in this manner.

Our last comment is regarding the effective date. Although we acknowledge the external pressures for a change in a short time frame, we do not believe that it is reasonable to have guidance become effective prior to its issuance. Accordingly, we recommend that the Board change implementation date to quarterly periods ending after June 15, 2009, with early adoption permitted.

Thank you for the opportunity to comment on the proposed FSP. If you have any questions or would like to discuss our comments, please feel free to call me at (860) 277-0537.

Regards,

A handwritten signature in black ink that reads "D. Keith Bell". The signature is written in a cursive style with a large, prominent "D" and "B".

D. Keith Bell
Senior Vice President, Accounting Policy

cc Jay S. Benet
Vice Chairman and Chief Financial Officer