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December 15, 2010

**Lawrence J. Boysen**

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Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856 – 5116

Re: File Reference No. 1850-100

Dear Technical Director,

CNA Financial Corporation (CNA) appreciates the opportunity to respond to the invitation to comment on the proposed Accounting Standards Update, (Topic 840), *Leases*. CNA, through its insurance subsidiaries, is the country's 13<sup>th</sup> largest property and casualty group and the country's 7<sup>th</sup> largest commercial insurance writer.

CNA supports the Boards decision to update lease guidance. We agree with the underlying premise that a right-of-use asset meets the definition of an asset and an obligation to make lease payments meets the definition of a liability. However we believe the calculation of the asset and liability could be simplified from a practical perspective. We support the alternate view proposed by Mr. Cooper of the IASB related to optional lease periods and contingent rentals.

We believe the fixed non-cancelable lease term is more appropriate than the proposed ASU's requirement to estimate the most likely lease term. We do not believe an extension or renewal on a lease term is a liability until it is actually exercised, and it would be inappropriate to recognize the obligation prior to exercise. This is consistent with Mr. Cooper's argument in AV2. The decision to cancel or extend a lease depends on changing business circumstances, and accounting for these changing business circumstances should not be required to be estimated at the beginning of a contract.

We also believe contingent rentals related to an entity's use of the asset is not a liability until the asset is actually used. This is consistent with Mr. Cooper's argument in AV7. Furthermore, we support his concerns regarding the reliability of the measurement of the assets and liabilities given how far into the future management would be required to forecast.

However, if contingent rentals are included in the present value calculation, requiring a probability weighted average of cash flows for each lease is impractical. For example, CNA has over 1,000 leases related to copiers/printers that range in fair value from \$1,200 to \$10,000. The lease contract includes a contingent charge based on the number of transactions (click charge). The proposed guidance would require a probability weighted estimate of contingent fees expected for the five year lease term, as well as an updated estimate each year to determine if there was a significant change in the estimate of

contingent rentals. We believe a more practical alternate approach would be to require a reasonable estimate of the contingent rentals vs. requiring a probability weighted average estimate of cash flows. It would be preferable to update the estimates as new information is identified.

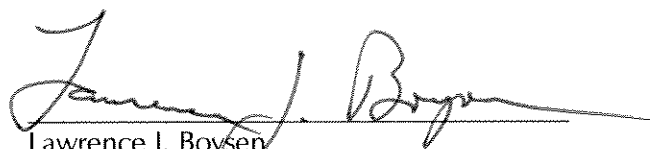
As currently proposed, we believe the updated guidance's benefits would not outweigh the costs. The additional judgment and estimates included in the proposal would increase the burden on an entity from an operational, process and audit perspective. If the measurement of the asset and liability were simplified, the implementation would be much more manageable.

We believe the Boards should revisit lessor accounting and determine one appropriate method to account for lessor transactions. The current proposal will decrease comparability across entities by including two options.

Finally, we believe the transition provisions should be prospective. A prospective application of the guidance is preferable due to the number of leases that we would be required to review, as well as the fact that many leases may have expired in interim time between the opening balance sheet and the effective date.

If you have any questions, please feel free to contact me at 312-822-5653.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence J. Boysen", written over a horizontal line.

Lawrence J. Boysen  
Senior Vice President and Corporate Controller