



THE CHUBB CORPORATION

15 Mountain View Road, Warren, New Jersey 07059

September 26, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2012-200

Dear Technical Director:

The Chubb Corporation is a holding company with subsidiaries principally engaged in the property and casualty (P&C) insurance business. We appreciate the opportunity to comment on the proposed Accounting Standards Update (ASU), *Financial Instruments (Topic 825): Disclosures about Liquidity Risk and Interest Rate Risk*. At June 30, 2012, the Corporation held \$43 billion of invested assets and had \$23 billion of unpaid losses and loss expenses. Accordingly, this proposed ASU would affect the Corporation's financial statements.

Overview

The objective of financial reporting is to provide information that enables users to make well-informed investment and credit decisions. We agree that disclosures indicating management's views about liquidity risk and interest rate risk are useful. Some of the information required by the proposed ASU is already required by the Securities and Exchange Commission (SEC) in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and Quantitative and Qualitative Disclosures About Market Risk (the Market Risk Disclosures). The information currently included in MD&A and the Market Risk Disclosures is forward looking and typically includes good faith estimates based on management's expectations of the future. Such information would be difficult to audit and would not necessarily be improved by being subject to audit. The types of disclosures contemplated in the proposed ASU are better included in MD&A and the Market Risk Disclosures rather than the notes to the financial statements.

If the Board continues to pursue this project as currently proposed, the range of entities (referred to as financial institutions) that will be subject to comprehensive, quarterly, highly-detailed disclosures under the proposal is not appropriate. The proposed disclosures seem mostly targeted at those entities that must regularly consider and match the characteristics, returns and/or maturities of some portion of their assets to related financial obligations. We believe that P&C insurance entities should not be included in the definition of financial institutions and therefore not be subject to the incremental disclosures applicable to “entities ... for which the primary business activity is to Provide insurance.” In addition, we find the proposed requirements to be excessively prescriptive and while that appears to be by design, quantitative and qualitative disclosures that are prepared based on the individual circumstances of the reporting entity based on management’s judgment would likely be more useful and understandable for users.

Concerns with the Proposed ASU

As the Board acknowledged, the disclosures under this proposal are similar, in part, to the disclosures required by the SEC under the rules governing MD&A and the Market Risk Disclosures. The Board concluded that the proposed disclosures would be complementary to the SEC requirements. We believe that the proposed ASU would add extensive disclosures to the footnotes that would include data that is duplicative of information included in MD&A and the Market Risk Disclosures. The ASU would result in an increase in the volume of disclosure included in financial reports but not necessarily improve the quality of such disclosures. Such information would be included to comply with the requirements of the accounting guidance but might not be consistent with the way an enterprise evaluates or manages such risks.

The annual liquidity risk and interest rate risk disclosures presented in MD&A and the Market Risk Disclosures can reasonably be considered to include “forward-looking statements” as the term is defined in the *Private Securities Litigation Reform Act of 1995 (PSLRA)*. Reporting entities generally believe they are afforded protection under the safe harbor provisions of the PSLRA with respect to such statements. Disclosure of such forward-looking information in the notes to the financial statements might expose the entity and its auditors to legal liability since actual results would certainly differ, in some instances materially, from those included in the required liquidity risk and interest rate risk disclosures. MD&A and/or the Market Risk Disclosures are the locations best suited to disclose such liquidity risk and interest rate risk information. We believe the nature of the information that would be reported in the footnotes under the proposed ASU is beyond the type of information traditionally included in financial statements prepared under generally accepted accounting principles in the United States. We also believe that auditors may struggle with opining on the reasonableness of management’s expectations about future events (such as the timing of claims payments) or the auditors’ views may differ significantly from those of management leading to unproductive discussions or even audit differences.

The proposed ASU differentiates between financial institutions and non-financial institutions and requires different disclosures for each. The Board concluded that such distinction was warranted based on the premise that asset-liability management is an integral part of managing liquidity risk and interest rate risk for financial institutions. However, there are entities, including some that are thought of as financial institutions, which either are not required or can choose not to match the maturities of their assets and liabilities because cash flows from current operations are generally used to pay obligations as they come due. Despite this, the Board categorized all insurance entities as financial institutions.

As an entity that operates in the P&C insurance business, The Chubb Corporation would be considered a financial institution and would be required to comply with the broad disclosures applicable to financial institutions. We do not believe that P&C insurers should be required to provide the proposed disclosures required of financial institutions as we do not believe that P&C insurers manage their assets and liabilities in a manner that meaningfully aligns with the objective of the proposed incremental disclosures for financial institutions. Unlike life insurers, P&C insurers do not actively engage in matching the maturities of their assets to the expected payments of their liabilities. The P&C insurance business model is to underwrite insurance products and manage insurance risks while separately managing the investment portfolio to maximize returns and manage investment risks to ensure that funds will be available to meet insurance obligations when necessary. The liquidity requirements of P&C insurers are generally met by cash flows from operations. Cash received from operations, consisting primarily of insurance premium collections and interest and dividend income receipts, generally provide sufficient funds to pay claims and operating expenses as they come due. If the Board maintains the current differentiation between financial and non-financial institutions, we believe that the liquidity risk and interest rate risk disclosures currently proposed as appropriate for non-financial institutions would be sufficient for P&C insurers.

We are in the process of reviewing the Board's recently issued *Invitation to Comment: Disclosure Framework* (the Disclosure Framework). We support the Board's stated objective of the Disclosure Framework, which is to improve the effectiveness of disclosures in the notes to financial statements by clearly communicating the information that is most important to users of an entity's financial statements.

If the proposed Disclosure Framework is indicative of the Board's approach to financial statement disclosures in the future, that approach is not reflected in the development of the disclosure requirements in the proposed ASU on disclosures about liquidity risk and interest rate risk. The proposed ASU is rules-based and overly prescriptive. It does not provide a reporting entity the flexibility to develop relevant disclosures based on the industry in which it operates or its individual business model. As a result, reporting entities may be required to produce voluminous disclosures that are a burden to prepare, difficult to audit and may not be useful to the users of the financial statements. The Board paid significant attention to users' needs for comparability and standardization but they neglected to consider entity-specific issues and characteristics. The "one size fits all" disclosure approach that the Board is proposing for all financial institutions would result in redundant information or information not otherwise useful to the users of financial statements of P&C insurers.

Regardless of the scope of the disclosures required upon finalization of the proposed ASU, the requirements to include quarterly information in the tables and to report the liquidity risk and interest rate risk information in each quarterly financial statement are excessive and not necessary. For many enterprises, disclosures included in annual financial statements based on the objectives of the proposed ASU may not change significantly in amount or composition from quarter to quarter. The Board should consider the spirit of the rules that generally govern disclosures included in the financial statements of interim periods. Such rules generally prescribe updated disclosures when events subsequent to the end of the most recent fiscal year have occurred which have a material impact on the information included in the prior annual financial statements. We believe that this approach would avoid voluminous, unnecessary disclosures that are a burden to prepare and would substantially duplicate disclosures contained in the most recent annual financial statements. This would also be consistent with the objectives of the Disclosure Framework the Board is currently considering.

Conclusion

We do not support the proposed ASU. The disclosures required under the proposed ASU should be addressed as part of an evaluation of the adequacy and usability of information currently included in MD&A and the Market Risk Disclosures. The forward-looking nature of the proposed disclosures makes it inappropriate to include them in the notes to the financial statements and the Board should consider if modifications should be advanced with the SEC for possible revision to the rules governing MD&A and the Market Risk Disclosures. If the Board continues to pursue this project, the Board should give consideration to the scope of the entities that should be subject to the disclosures. The Board should also consider less prescriptive guidance that would result in more entity-specific disclosures that are more reflective of management's approach to managing these risks.

We would be pleased to discuss our comments with the members of the Board or its staff.

Very truly yours,

John J. Kennedy
Senior Vice President and
Chief Accounting Officer