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

Re: File Reference No. 2012-220

Dear Technical Director,

CNA Financial Corporation (CNA) appreciates the opportunity to respond to the FASB's Disclosure Framework Discussion Paper (DP). CNA is the seventh largest commercial insurance writer and the thirteenth largest property and casualty writer in the United States. CNA has insurance operations in both North America and Europe. Loews Corporation (Loews) owns approximately 90% of CNA's outstanding common stock.

We support the Board's initiative to develop a framework to improve the effectiveness of disclosures in the notes to financial statements. Over the past several years, disclosure requirements have increased significantly. Users now have to filter through an ever increasing amount of information in order to understand the current financial position and potential future prospects of an entity. Furthermore, additional disclosure requirements have increased preparation time and costs for preparers.

We encourage the Board to develop a process to include in the Conceptual Framework for Financial Reporting to assist in developing appropriate disclosures for each section of the Accounting Standards Codification (ASC). We believe the Board should focus on creating disclosure requirements that allow for more flexibility in application and allow preparers to exercise more judgment when determining what is relevant and material to disclose each reporting period. This will give preparers the ability to exclude certain disclosures that are not relevant or significant to the entity or the users of its financial statements.

We recognize the challenge the Board faces in striking an appropriate balance between cost to preparers and benefit provided to users. Adding to this challenge, is the need to balance providing flexibility to preparers to make judgments regarding relevance of disclosures and ensuring comparability amongst entities. Notwithstanding the above, we believe that over time this balance will be achieved naturally as investors provide feedback to preparers and as a result of peer disclosure reviews.

The recently adopted Accounting Standards Update (ASU) 2011-04 – Fair Value Measurement and the exposure draft on Disclosures about Liquidity Risk and Interest Rate Risk provide prescriptive guidance on required disclosures. We do not view certain of the required (or proposed to be required) disclosures as relevant information for the users of our financial statements (see our separate comment letter response provided on the FASB Financial Instruments – Disclosures about Liquidity Risk and Interest Rate Risk Exposure Draft). We are

hopeful the approach discussed in the DP would allow management judgment and discretion based on the financial statement preparer's specific facts or circumstances.

While the DP is subjective and provides a wide range of possible outcomes, we believe the overall direction is positive. The remainder of this response addresses the questions in the DP that are applicable to CNA.

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

Sincerely,

Lawrence Boysen

Chapter 1

Question 1: The details of this Invitation to Comment do not focus on the informational needs of donors to not-for-profit organizations. How, if at all, should the Board's decision process be supplanted to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process for the needs of donors when deciding which disclosures to include in notes to financial statements?

Response 1: We are not a not-for-profit organization. This question is not applicable to CNA.

Chapter 2

Question 2: Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities' prospects for future cash flows?

Response 2: Based on our review of the decision questions and applying the decision questions to a current Accounting Standards Codification (ASC) Topic, we believe the decision questions cover the key considerations in order to develop appropriate disclosures. The decision questions are broad; therefore, almost any current required disclosure could arguably fall under one of the decision questions.

Having broad decision questions to serve as guidelines for key disclosure considerations is an appropriate approach. Each activity and transaction entered into is uniquely dependent upon each industry and individual entity. The decision questions should be incorporated into the FASB Concepts Statement No. 8, Conceptual Framework for Financial Reporting (Concepts Statement No. 8), for the Board to utilize when developing disclosure considerations for ASC Topics. We believe this is the appropriate approach versus incorporating the decision questions into the ASC and eliminating disclosure requirements by ASC Topic. Given the broad nature of the decision questions, if applied at the individual entity level, disclosures could potentially vary drastically and there would be lack of comparability across entities.

To enhance the decision questions, the Board should consider expanding the decision questions with a decision tree. For example, if the answer to a specific decision question is yes, then it may be appropriate to consider additional decision questions. See Response 5 for discussion of the application of the decision questions to an ASC Topic.

Question 3: Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities' prospects for future cash flows?

Response 3: No, none of the decision questions identified information that is not appropriate for notes to financial statements.

Question 4: Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?

Response 4: We believe the decision questions most appropriately fit in the Conceptual Framework for Financial Reporting. The decision questions best serve as a tool for the Boards to

utilize when determining appropriate disclosures by ASC Topic. We do not believe the decision questions should be incorporated into the ASC for reporting entities to apply. Application of the decision questions by reporting entities would most likely result in a wide variety of disclosures. The disparity could potentially result in lack of comparability, too much detail and/or too little detail. Furthermore, the subjective nature of the decision questions may pose auditability concerns. On the spectrum of options, having reporting entities apply the decision questions puts too much judgment at the individual reporting entity level.

Question 5: Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach?

Response 5: We believe this decision process would help the Board establish effective disclosure requirements, but we support more judgment and flexibility for preparers to determine which disclosures are relevant and warrant disclosure in the notes to the financial statements. Each and every transaction has unique details. These unique details impact industries and individual entities differently. Ideally, the Board would establish required minimum disclosures for various activities and transactions (i.e., by ASC Topic) which would provide consistent and comparable baseline information to the users of the financial statements. Additionally, the Board would establish additional disclosure considerations depending on the complexity of the transaction and/or impact to projected future cash flows of the reporting entity.

As requested by the Board, we applied the decision process outlined in the DP to ASC Topic 820 – Fair Value Measurements (Topic 820). In going through the decision questions and disclosure requirements of Topic 820, the majority of required disclosures were supported by the decision questions. The only disclosures identified that were not supported by the decision questions were the requirement to describe the company's valuation process (Topic 820-10-50-2f) and the requirement to provide quantitative information about significant unobservable inputs (Topic 820-10-5-2 (bbb).

While we believe the majority of the disclosure requirements of Topic 820 are supported by the proposed decision process, we also believe that certain of the disclosure requirements are not relevant to the users of our financial statements. See further discussion related to the required disclosures of Topic 820 in Response 11.

Chapter 3

Question 6: Would any of the possibilities in this chapter be a practical and effective way to establish flexible disclosure requirements?

Response 6: We believe an approach where the Board provides a minimum set of disclosures and an expanded set of disclosures for consideration strikes a good balance between providing information that is comparable to other reporting entities and information that is relevant to the individual reporting entity.

Question 7: If more than one approach would be practical and effective, which would work best?

Response 7: As noted in our response to Question 6, we believe an approach where the Board provides a minimum set of disclosures and an expanded set of disclosures for consideration is the most practical and effective. The option of the Board establishing different tiers of information could be effective as well; however, this option would be more difficult for the Board to

operationalize and preparers to apply. Given the wide variety of activities and transactions, there could be numerous tiers for each ASC Topic. Furthermore, certain transactions may impact different reporting entities in different ways, depending on availability of data and judgments necessary. The option of different tiers of information does not provide as much flexibility and judgment to the preparer as the option of providing a minimum set of disclosures and an expanded set of disclosures for consideration. A reporting entity may feel obliged to select a certain tier of information and disclose all the requirements in that tier, even though there may be just one specific additional disclosure within that tier that the entity concludes is relevant.

Question 8: Are there other possibilities that would work better than any of the ones discussed in this chapter?

Response 8: We did not identify any.

Chapter 4

Question 9: This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

Response 9: The description of the approach is clear and understandable. Our interpretation of the potential impact of the DP is that there would not be a significant reduction of disclosures currently included in the notes to the financial statements. In many cases, as the Board points out in the DP, whether an item of information considered for disclosure in notes is relevant or not will be clear. Only in borderline cases would it be necessary to make potentially difficult judgments. Preparers should be encouraged to take a conservative approach in these borderline cases by providing the disclosures.

We also believe that each industry, in a short period of time, will naturally develop certain industry norms. There are certain required disclosures that are not as pertinent in some industries as others. One example is lease disclosures currently required under ASC Topic 840 – Leases (Topic 840). For many insurance companies, leasing is not a part of the core business; therefore, lease disclosures are generally not material to the users of the financial statements. Furthermore, for public companies, lease obligations are disclosed as part of the tabular disclosure of contractual obligations in the MD&A to assist users in evaluating liquidity and capital resources. If more judgment is afforded to preparers, many public insurers may conclude it is appropriate to eliminate lease disclosures in the footnotes to improve the effectiveness of their disclosures and eliminate redundancy.

Question 10: Can this approach (or any approach that involves describing the objective for judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?

Response 10: We believe the approach described is reasonable and consistent with other financial reporting considerations. In the DP, the Board describes a relevant disclosure as 'information that can change users' assessments of prospects for cash flows by a material amount.' The Board also recognizes that there are quantitative and qualitative aspects to consider. This type of approach is consistent with SEC Staff Accounting Bulletin No. 99 – Materiality (SAB 99). SAB 99 states:

'Materiality concerns the significance of an item to users of a registrant's financial statements. A matter is "material" if there is a substantial likelihood that a reasonable person would consider it important.'

Furthermore, Concepts Statement No. 8 defines materiality as:

'Information is material if omitting it or misstating it could influence decisions that users make on the basis of the financial information of a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude or both of the items to which the information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.'

We believe that this type of approach is appropriate and necessary in order to give reporting entities the proper level of judgment and flexibility. Companies will need to analyze their financial data and understand the needs of the users of the financial statements in order to make the proper determinations regarding disclosure relevance and whether certain disclosures should be included in the notes to the financial statements.

Some of the difficulties in implementing this approach that we foresee are consistency and comparability. Due to the judgment involved in this process, there may be inconsistency among individual companies within the same industry. Furthermore, it is likely that there will be less comparability across industries. As mentioned above, we would anticipate certain industry disclosure norms to develop which would reduce comparability concerns within the industry. However, the risk remains that users of financial statements may not be able to compare certain items across industries.

Question 11: Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

Response 11: The level of documentation to support disclosure decisions will vary depending on the specific disclosure requirement and how it impacts each individual entity. As discussed in Response 9, certain borderline cases will be the more difficult judgments. If a reporting entity opts to not disclose certain borderline cases, then, inherently, more documentation will be necessary to support that conclusion.

We envision two different levels of documentation. If a certain ASC Topic is deemed to not be relevant to an entity, then documentation regarding relevance and significance of that ASC Topic should be prepared. There are certain ASC Topics that are not material to CNA's core operations and do not significantly impact projected future cash flows. While CNA appropriately accounts for these activities in accordance with US GAAP, given the overall insignificance of the activity to CNA's operations, disclosure of the information does not seem relevant. For example, CNA is party to certain lease arrangements. As mentioned previously, leasing is not part of CNA's core business. Topic 840 currently requires the disclosure of future minimum lease payments. This is a disclosure we believe is not particularly relevant to CNA or its users and could be eliminated. We believe brief documentation could support this position.

From a different perspective, certain ASC Topics may be applicable and relevant at a high level; however, an entity may conclude that the expanded disclosures are not necessary due to

immateriality or lack of relevance at a granular level. In these instances, entities will need to document why only the minimum disclosures will be included. For example, in Topic 820, we are currently required to disclose a reconciliation of Level 3 fair value measurements, separately identifying purchases, sales, issuances, and settlements. Assets measured using significant unobservable inputs represent less than 5% of our total assets measured at fair value. While recognition of Level 3 fair value measurements is appropriate and a reconciliation of Level 3 fair value measurements may provide some useful information, the current required level of detail in the Level 3 reconciliation is not overly relevant to CNA given the overall asset portfolio. We believe a higher level reconciliation would provide our users with the information they need.

Preparers should work closely with their auditors to discuss the disclosure decisions and document appropriately.

Chapter 5

Question 12: Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

Response 12: Due to the vast range of potential disclosure differences including industry specific disclosures, unique transactions and relevance of certain disclosures, we do not believe any type of prescribed format is practical. The DP discusses certain formatting suggestions which are sensible and should be considered; however, these suggestions should not be requirements since they may not improve the formatting for all reporting entities. For example, we agree that the use of headings and, in certain instances, subheadings, is helpful to organize the notes to the financial statements. The most appropriate ordering and organization of the notes will vary by reporting entity. Entities should have the flexibility to organize the notes to the financial statements as they see fit.

We do not believe that highlighting certain information is necessary or appropriate. This is counter-intuitive to the concept of assuming users have a baseline knowledge of the industry and financial statements. The financial statements and notes should be read in their entirety. The goal is that only relevant information will be included in the notes to the financial statements. To highlight certain information may be misleading or give users the impression that the other disclosures are not important.

Question 13: What other possibilities should be considered?

Response 13: One suggestion is the incorporation of a table of contents to assist users in finding information in the notes more quickly.

Question 14: Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?

Response 14: We do not believe further guidance regarding organizing notes to the financial statements is necessary.

Question 15: Are there different ways in which information should be organized in notes to financial statements?

Response 15: This is an area where judgment should be permitted. There are different ways in which information can be organized in the notes to financial statements, and the appropriate way

is dependent upon the reporting entity, recent transactions of the entity, the industry, the current economic environment, and other factors that may be impacting the entity. The financial statements represent how management wants to report the financial results of the entity to its users. The style and approach to organization is subjective in nature; therefore, a specific method of organization should not be prescribed.

Chapter 6

Question 16: Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

Response 16: We do believe that some of the possibilities discussed in Chapter 6 of the DP would improve the effectiveness of disclosures for interim financial statements. As described throughout this comment letter response, preparers must balance providing useful and essential information to users of the financial statements within reporting deadlines. We believe additional efficiencies can be achieved in interim reporting by putting more emphasis on the fact that interim financial statements should be read in conjunction with the most recently issued annual financial statements and eliminating any disclosures that have not materially changed since the annual financial statements.

For example, disclosures relating to accounting policies that are included in the annual financial statements are generally not included in the interim financial statements. Other information that may not be necessary to disclose on an interim basis includes commitments and contingencies, including both ASC Topic 450 – Contingencies and ASC Topic 460 - Guarantees required disclosures, if there are no significant changes to estimates since year-end. Furthermore, Topic 820 currently requires disclosures on both an annual and interim basis. Interim disclosures may not be necessary if there is not a significant change in a reporting entity's asset portfolio or the determination of fair value measurements.

Lastly, the Board's current proposal on comprehensive income and disclosures relating to reclassification adjustments for the components of accumulated other comprehensive income would require disclosures on both an annual and interim basis. Consistent with the current minimum required presentation of condensed interim financial information, which only requires total comprehensive income to be presented, it does not seem necessary to disclose all of this information on an interim basis if there is no significant change in the components and nature of reclassification adjustments since the annual financial statements.

The principles for determining when annual disclosures are useful in interim reports that the Board lays out in Chapter 6 seem appropriate.

Question 17: If you think that a framework for the Board's use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?

Response 17: The decision questions that the Board established for determining disclosure requirements for interim periods appear appropriate. The decision questions are consistent with the approach that interim disclosures should focus on significant changes during the interim period in comparison to the most recent annual financial statements. Decision questions which strive to understand whether it is likely that there would be events or conditions that would arise during interim periods that were not reported in the prior annual period or whether it is likely that

an event or condition reported in the last annual statement would change significantly are the appropriate questions to consider.

Question 18: If you think that a framework for reporting entities' use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosures for interim financial statements?

Response 18: The principles for determining when annual disclosures are useful in interim reports that the Board discusses in Chapter 6 could be used by reporting entities. Applying these considerations each interim reporting period would improve the effectiveness of interim reporting by eliminating any disclosures that are repetitive or are materially consistent with the information reported as of the most recent annual financial statements resulting in a quarterly report that highlights issues of primary importance to an investor.

Question 19: What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements?

Response 19: Interim disclosures have the same conflicting pressures as annual disclosures. Preparers need to balance users' needs with tight reporting deadlines and available resources. Once the Board concludes on the appropriate flexibility and judgment for reporting entities to utilize for annual disclosures that decision should carry through to interim disclosures. As discussed above, an appropriate framework for interim disclosures should be centered around the existence of significant changes during the interim period in comparison to the most recent annual financial statements.

Chapter 7

Question 20: Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of accounting policies improve the effectiveness of disclosure?

Response 20: We do not agree that changes to the summary of significant accounting policies would improve the effectiveness of disclosures. Each reporting entity is unique in its own way. The accounting policy note is a useful summary of significant accounting policies and is generally the note where companies discuss any unique accounting considerations. For example, insurance companies vary with respect to costs included in deferred acquisition costs. The accounting policy note describes which costs a company defers and how the company amortizes those costs. The elimination of the accounting policy note would not improve effectiveness of disclosures.

Question 21: Should the summary of accounting policies include information about industry-specific accounting policies?

Response 21: To the extent an industry specific accounting policy is significant to a reporting entity the accounting policy should be included in the summary of accounting policies.

Question 22: Are there other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

Response 22: The response to this question will vary by reporting entity, supporting the conclusion that more flexibility and judgment to determine disclosure relevance should be at the reporting entity level. Specific to CNA, current required disclosures that could be argued as not relevant and, therefore, eliminated or reduced, include areas such as pension, guarantees, and fair value measurements.

While we believe some level of disclosure is warranted in each of the areas mentioned above, the current level of detail required to be disclosed and/or frequency of required disclosures are not necessary based on the nature of these activities to CNA. For example, CNA currently has robust pension disclosures which include all required disclosures. CNA's pension plan has been closed to new participants since 2000. Due to the inactive status of the plan, reduced disclosures focusing on the projected benefit obligation, fair value of plan assets and funded status of the plan would provide users with a concise description of the key financial information as it relates to pensions for CNA. Furthermore, disclosures for guarantees and fair value measurements are currently required for both annual and interim reporting periods. Given the lack of meaningful change in these disclosures period over period, we believe users obtain the relevant information they need from our annual financial statements and additional disclosures during interim periods, generally, are not necessary. These changes have the potential to result in a significant reduction in the volume of notes to our financial statements.