February 12, 2010

Technical Director
File Reference No. EITF090G
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: Proposed Accounting Standards Update to Topic 944 – Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts

Dear Technical Director,

CNA Financial Corporation (CNA) appreciates the opportunity to respond to the exposure draft of the proposed Accounting Standards Update (ASU) to Topic 944, regarding costs associated with acquiring or renewing insurance contracts (EITF090G). CNA is the country’s 13th largest property and casualty group and the seventh largest commercial insurance writer. CNA’s insurance products include standard commercial lines, specialty lines, surety, marine, and other property and casualty coverages.

CNA agrees with the overarching objective of minimizing diversity in practice, and agrees that transactions with similar economic substance should be accounted for in the same manner across all industry groups. However, we don’t believe this proposed ASU should be adopted because of its apparent limited value in light of decisions made in the joint standards project for insurance contracts, and it is less principles-based than current guidance.

We are very concerned with the cost and time it would take to implement this ASU as proposed. We do not believe that the cost will be justified by the benefits provided to the users of insurance company financial statements. Our opinion is based on the premise that the joint standards project for insurance contracts is to be complete within one year of the effective date of EITF090G, and the fact that the preliminary consensus of the FASB and IASB on that project is to disallow all capitalization of acquisition expenses. As a consequence, the benefit of this ASU is effectively limited to the period beginning after December 15, 2010 and ending on the effective date of the new insurance standard. In addition, we are very concerned that the proposed effective date will not provide sufficient time to ensure our systems and processes are correctly modified to adopt the ASU.

Given the short timeframe it will be effective, we alternatively propose that the scope of EITF090G be limited to the proposed enhancement to disclosure requirements.
Re: Proposed ASU to Topic 944- EITF090G

Our response to the specific questions in the exposure draft follows:

**Question 1:** The amendments in this proposed Update would revise the definition of an acquisition cost of an insurance entity to be the costs that are directly related to the acquisition of new and renewal contracts and include those costs that are (1) incremental direct costs of contract acquisition and (2) directly related to specific activities performed by the insurer for the contract.
(a) Do you agree with this conclusion? If not, what criteria do you think should be used as the basis for capitalization of acquisition-related costs?
(b) Is the proposed guidance operational or is further guidance necessary to implement the proposed guidance?

**Response 1:** Absent impact from the standards project on insurance contracts, we do not have a specific objection with the conclusion, but we believe that the proposed implementation guidance is too rules-based and may be inappropriate for some business models.

**Question 2:** Do you agree that for a cost to meet the definition of a deferred acquisition cost, it must relate to successful efforts (that is, a new or renewal contract)?

**Response 2:** While we agree with the theory of successful efforts, we believe that the practical limitations of reasonable cost accounting processes will promote a false sense of precision. The systems feeding our general ledger and financial reporting warehouse do not distinguish underwriting and inspection costs between those that result in the placement of a contract and those that do not. Even with significant system and process changes, which will be very costly, estimates and proration will be required to achieve that distinction.

**Question 3:** Do you agree with the amendments in the proposed Update that specify that advertising costs incurred by insurance entities should not be included as part of deferred acquisition costs but, rather, should follow the guidance for advertising in Topic 720 or Subtopic 340-20, as applicable?

**Response 3:** We disagree with the categorical exclusion of any type of expense from deferral. Rather, we believe that the decision on what costs are deferred should be based on how they relate to the acquisition of business.

**Question 4:** Do you expect to incur significant costs as a result of the amendments in this proposed Update?

**Response 4:** Yes, as described, above, it would require a significant amount of time and effort to modify our systems and processes to distinguish between underwriting and inspection costs corresponding to contracts that were written vs. those that were not.

**Question 5:** Do you believe that the proposed effective date is operational?

**Response 5:** No, we believe that the efforts to modify our systems and processes would require more than twelve months.
Re: Proposed ASU to Topic 944- EITF090G

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

Sincerely,

[Signature]

Lawrence J. Boyse
Senior Vice President and Corporate Controller