January 31, 2011

Susan M. Cosper, Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

RE: File Reference No. 1890-100 - Effective Dates and Transition Methods

Dear Ms. Cosper:

Liberty Mutual Holding Company, Inc. ("LMHC", the "Company" or "We") is a diversified global insurer and the fifth largest property and casualty insurer in the United States based on 2009 direct written premium. As of and for the year ended December 31, 2009, the Company had consolidated assets and revenue of approximately $110 billion and $31 billion, respectively and ranked 71st on the Fortune 500 list of largest corporations in the United States based on 2009 revenue. The Company employs more than 45,000 people in more than 900 offices around the world.

As of the date of this letter, the Company does not have securities registered on a securities exchange.

As additional background for the FASB and its Staff, the Company’s business model is to underwrite and manage a variety of insurance risks while concurrently managing asset portfolios designed to provide the necessary cash flows to settle these insurance obligations with our policyholders.

We appreciate the opportunity to respond to the FASB’s discussion paper on Effective Dates and Transition Methods (the "DP").

IMPORTANCE OF CONTINUED DUE PROCESS

It is our opinion that while changes to accounting standards are sometimes necessary, changes must result in a meaningful improvement to existing accounting standards without unintended consequences such as economic disruption, lack of understandability by users of financial statements and unnecessary cost to preparers. Therefore, changes need to be carefully considered and not made in haste to meet arbitrary deadlines.
We point out that the FASB and the IASB Staff have been working on the insurance contract project for over ten years and for the last four years been working on the development of an acceptable recognition and measurement model that has gone through many revisions. It is our opinion that the allowance of only six months to read, interpret, apply and analyze the impact of this highly technical proposed standard is inadequate. We strongly believe that the discussion period be extended for at least an additional year to allow industry groups and users of financial statements to fully model and test the implications of the proposal. This will enable them to thoughtfully respond with alternatives. Not to evaluate this in a circumspect manner will prevent the FASB from concluding that the new model is not disruptive to the capital markets and economy, can be applied without undue cost and burden and is superior to existing U.S. GAAP accounting for insurance contracts. Put more simply: Why the headlong rush to implement something that has been in development for a decade and has the potential to be so harmful?

Considering the unprecedented magnitude of change that has been proposed fundamentally changing how the primary assets and liabilities of our Company are measured and reported, we believe it is paramount that the FASB, via its directive from the Securities and Exchange Commission (“SEC”), adhere to its stated goal of “issuing high-quality standards as consisting of a ‘comprehensive set of neutral principles that require consistent, comparable, relevant and reliable information that is useful for investors, lenders and creditors, and others who make capital allocation decisions’”. FASB should not rush projects through to completion until the rationale for change is vetted, the necessary and appropriate due diligence and due process have been completed, completion of a comprehensive analysis of how each of the proposed accounting standards interact with other existing standards (or highly probable proposed standards) and the potential impact those changes may have on the capital markets and other users of financial statements.

We respectfully remind the Board that thousands of comment letters have been submitted to date on these projects and per the FASB’s own rules on the standard setting process requires that, “The staff analyzes comment letters, public roundtable discussion, and any other information obtained through due process activities. The Board re-deliberates the proposed provisions, carefully considering the stakeholder input received, at one or more public meetings.”

We encourage and support the FASB to hold strong in light of the severe political pressure being applied, both from within the United States and by the international community until it is confident that the proposed change improves the quality, relevance and usefulness of financial reporting for United States based companies.

Additionally, considering how the Company (and the entire insurance industry for that matter) manages its business a final decision on the insurance contracts accounting standard must be evaluated concurrently with the proposed accounting standards.

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1 Per www.fasb.org. Item #6 of “Our Standard Setting Process”
for financial instruments due to the interdependency of these two standards. As of the date of this letter, this has not been the case. As a result, it is our opinion that the expected issuance dates of the financial instruments standard (2Q 2011) and the insurance contracts standard (potentially as early as 4Q 2011) are far too aggressive in light of the outstanding technical implementation issues that arose from the ED and DP comment letters (specifically regarding the insurance contract DP), assessment of how the financial instruments and insurance contract standards will interact with each other and the necessity of sufficient time to conduct meaningful (versus rushed) field testing to ensure the new models are operational and an improvement to existing in-place standards.

It is our opinion that if the timetable continues as proposed, it has the potential to result in damaging (and potentially catastrophic) consequences to the Company, the insurance industry and the stability of the overall capital markets.

In addition to not improving the quality, relevance and usefulness of financial reporting the financial instrument, insurance contract, and leasing and comprehensive income standards cannot meet the FASB’s own standard setting criteria within the timeframes being discussed. It is our opinion that the FASB and its Staff’s focus should be on completing the requisite due process around the priority projects and delay consideration of effective dates and transition methods until high quality standards are fully developed and sufficiently field tested that are deemed appropriate for all industries and not just a few select groups (e.g. banking institutions). Additionally, any final determination should include surveying a representative number of users of financial statements in the lending, rating agency and capital markets communities. Further, an economic impact analysis should be required of such far reaching standards as the financial instruments and insurance contract proposals.

COMPANY IMPACT

With respect to the priority projects subject to the DP, the Company will be most impacted by the following:

1.) Exposure draft on financial instruments;
2.) Discussion paper on insurance contracts;
3.) Exposure draft on comprehensive income; and
4.) Exposure draft on leases

All of these standards, as proposed, will significantly impact the presentation of an insurance company’s financial statements, increase the volatility of its financial statements and require significant time and effort and system enhancements to comply with the proposed disclosure requirements.

We refer you to our comment letters submitted to the FASB for our specific comments on each of the proposed standards.
TRANSITION METHODS

In general, we support final standards that provide the option to early adopt and to retrospectively or prospectively apply the new standards versus a mandated approach. It is our opinion that this flexibility allows management to make the best decision for its organization based on its state of readiness and availability of data needed to comply.

FASB AND IASB EFFECTIVE DATE ALIGNMENT

Regarding consistency with the IASB’s timeline for the effective dates of the standards, it is our opinion that this is an unrealistic expectation considering the IASB’s previously stated mandate for issuance of priority standards by June 30, 2011. It is our view that unless the IASB and FASB Boards are willing to except a single date approach many years out, achieving this objective is not possible.

Additionally, as a global company with foreign subsidiaries that have local regulatory requirements to report under IFRS as well as the responsibility to report on U.S. GAAP for group reporting purposes, the current situation where the FASB and IASB timetables will likely be different results in the worst case scenario where our local operations will need to maintain multiple sets of accounting records for an extended period of time and potential indefinitely if agreement cannot be reached between the IASB and FASB. We request the FASB and its Staff to consider this real and severe implication of the overall convergence project and to continue the collaborative process with the IASB and its Staff on the elimination of the remaining differences.

IMPACT TO THE BROADER FINANCIAL REPORTING SYSTEMS

Based on our assessment, we believe the changes proposed in the priority projects may require tax accounting method changes and result in an increase in deferred tax items adding to the complexity of financial reporting associated with income taxes.

SINGLE DATE VERSUS STAGGERED IMPLEMENTATION DATES

While we do not support these proposed standards, in the event that they are issued as final standards, based on our preliminary views and the current state of the priority projects, it is our opinion that a staggered approach to the effective dates would be most appropriate in order to balance, to the greatest extent possible, the significance of educating the preparers of the financial statements, working through the extensive system modifications that will be necessary to comply with the new standards and spreading the significant costs associated with these changes over a reasonable period of time so the change does not cause an undue burden of an entity’s finite
resources (i.e. monetary capital and people's time) being directed away from revenue generating / business enhancing strategic initiatives.

We suggest the following grouping, in order by their staggered effective dates (based off of the issuance date of the final standard), as follows:

1.) Leasing (three years)  
2.) Revenue recognition (five years)  
3.) Financial instruments (five years)  
4.) Insurance contacts (five years)  
5.) Comprehensive income (five years)  
6.) Financial statement presentation (six years)  
7.) Financial instruments with characteristics of equity (six years)

While the impact of the proposed leasing standard is significant, the implementation of this standard could be reasonably expected to be achieved within three years from the date of issuance of the final standard. Adequate time must be provided to review and renegotiate all financial covenants that will be affected by this standard.

As previously discussed, it is our opinion that due to the interdependency of the financial instruments and insurance contract projects for our Company (and the insurance industry) it is most practical to have these projects implemented at the same effective date to avoid differences between the measurement models of the primary assets and liabilities of an insurance company. Additionally, it is our opinion that the purpose and use of other comprehensive income should be re-deliberated at the FASB to have meaningful debate on how the usage of this categorization can result in more meaningful and useful financial statements than what is currently proposed. As a result, it our opinion that implementation of changes to other comprehensive income should also be subject to the same effective date.

With respect to revenue recognition, it is our opinion that its effective date should be consistent with the insurance contract final standard, as the FASB has an obligation to ensure that there are no inconsistencies between the revenue recognition principles within the insurance contract standard and that of the broader revenue recognition standard.

Due to the numerous outstanding issues with the insurance contract project discussed above, it is our opinion that five years from the issuance of the final standard is reasonable considering the magnitude of the proposed change.

It is our opinion that an extensive review of financial statement presentation and financial instruments with characteristics of equity (principally a presentation matter) be completed once the other priority projects are finalized.
We appreciate your consideration of these comments and would welcome the opportunity to discuss them further at your convenience.

Sincerely,

John D. Doyle
Senior Vice President & Comptroller