January 31, 2011

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

Re: File Reference No. 1890-100

CNA Financial Corporation (CNA) appreciates the opportunity to comment on the FASB’s Effective Dates and Transition Methods Discussion Paper (DP). CNA is the seventh largest commercial insurance writer and the thirteenth largest property & casualty writer in the United States. CNA has insurance operations in both North America and Europe.

CNA has committed significant resources to review and analyze a number of the proposals that are considered under the scope of this DP, including the exposure draft on Accounting for Financial Instruments, the discussion paper on Preliminary Views on Insurance Contracts, the exposure draft on Leases, the staff draft on Financial Statement Presentation, and the exposure draft on Other Comprehensive Income. Each of these proposals will impact CNA to varying degrees, some very significantly. CNA has submitted comment letters relating to Financial Instruments, Insurance Contracts and Leases. Our comment letters address specific concerns in each of these proposed standards.

Assessing the impact of the various proposed standards on CNA is difficult because they are at different stages of the redeliberation process. For example, the discussion paper on Preliminary Views on Insurance Contracts would significantly impact CNA if it was finalized and issued without significant modification. However, given the early stage of the project and the strong views expressed in comment letters urging the Board to keep current US GAAP in place, with targeted changes as necessary, there is a wide variety of potential outcomes. The final standard for accounting for insurance contracts significantly impacts our views with respect to effective dates and transition methods.

We have answered each relevant question based on the assumption that the finalized standards will be similar to the standards as proposed. We suggest that the Board request additional feedback from constituents on this topic at a later date, when preparers have a better understanding of the final standards.

We hope that this feedback is helpful to the Board as they finalize their work on the various projects.

Sincerely,

Lawrence J. Boyesen
SVP and Corporate Controller
Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:
   a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
   b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
   c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
   d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
   e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

A1: CNA is the seventh largest commercial insurance writer and the thirteenth largest property & casualty writer in the United States. CNA has insurance operations in both North America and Europe. As an SEC registrant, CNA prepares financial statements in accordance with US GAAP on a quarterly and annual basis. Additionally, with operations in Canada and Europe, our international subsidiaries have, or will have, financial reporting requirements in accordance with IFRS. Furthermore, our domestic insurance subsidiaries must comply with statutory reporting requirements which include filing financial statements on a quarterly and annual basis in accordance with statutory accounting principles.

CNA’s core businesses serve a variety of customers including small, medium and large businesses, associations, professionals and groups with a broad range of insurance and risk management products and services. CNA’s insurance products primarily include property and casualty coverages. As of December 31, 2009, CNA reported total revenues of $8,472 million, net income of $419 million, total investments of $41,996 million and total assets of $55,298 million.

As an insurance company, the insurance contracts and financial instruments proposals have the most significant impact to CNA. The insurance contracts discussion paper proposes radical changes that are not consistent with the way we think about or manage our business; therefore, we expect implementation to be very difficult and costly. The proposed changes will necessitate extensive changes to current systems and development of new systems.

The financial instruments exposure draft will also have a significant impact based on the size of our portfolio. Investment strategy and management is a significant component of our operations. Changes to the current accounting will require a significant allocation of resources to understand the impact to our operations, appropriately change processes to be in compliance with the new standard, and properly disclose relevant investment and impairment information.

The financial statement presentation staff draft will not have as significant an impact as insurance contracts and financial instruments. We expect training staff and changes to mapping the general
ledger to the revised financial statements to be the most significant impacts. This project will be
time consuming and impact our personnel resources; however, we do not expect this will require
significant changes to our system infrastructure.

Leases are not a part of our core operations; therefore, this standard is not expected to have a
significant impact on our operations. However, the proposed standard would require process
changes and significantly increased record keeping efforts and analysis for leases given the
requirement to consider contingent rentals and determine an estimate based upon probability-
weighted cash flows.

We do not anticipate that proposals related to other comprehensive income and revenue
recognition will significantly impact CNA. The remainder of our responses will not consider
these proposals given the expected minimal impact.

Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting
for financial instruments, other comprehensive income, revenue recognition, and leases):
   a. How much time will you need to learn about each proposal, appropriately train
      personnel, plan for, and implement or otherwise adapt to each the new standard?
   b. What are the types of costs you expect to incur in planning for and adapting to the new
      requirements and what are the primary drivers of those costs? What is the relative
      significance of each cost component?

A2: Financial instruments will have the most impact to CNA of the proposals issued as exposure
drafts. We anticipate needing two years from issuance of this final standard to adequately learn
the guidance, train personnel and implement the new standard. Optimally, as discussed in A5
below, we prefer five years from issuance of the final standard to consider adoption requirements
of all of the proposed standards.

The implementation of the financial instruments standard will most significantly impact
personnel resources and time. If retrospective adoption is required, it may be necessary to create
multiple subledgers to support the reporting required under both current guidance and the new
standard. We would also be required to maintain separate impairment processes for both the old
and new standard as well as statutory impairments during that timeframe. It will take significant
time to understand the proposal and how it impacts other areas, such as taxes. Additionally,
depending on the outcome of the final standard, it will take time to understand and implement a
new other-than-temporary impairment process.

Although the proposal on insurance contracts was issued as a discussion paper, it is important to
reiterate the significant impact and cost this standard will have on CNA. If the proposed
insurance contracts guidance is finalized in its current form, a significant effort, for the planning
phase alone, will be required to implement the new guidance. For example, detailed analyses and
reviews will be necessary to understand whether new systems are needed to support the new
measurement model or if current systems can be updated/modified to properly capture and report
the financial information. Additionally, with statutory reporting requirements, it will be
necessary to maintain the current infrastructure to complete statutory financial statements. A
significant consideration is the effort/cost to maintain different infrastructures to support different
accounting models (potentially US GAAP, statutory, and IFRS).

In many instances, consistent with a principles based approach, there is additional judgment
required in applying the proposed standards. The increase in judgment will require additional
analysis and time to explain results to investors and other users of the financial statements and to auditors, which equates to additional costs.

Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

A3: The current proposal for insurance contracts is drastically different than our current statutory reporting requirements. The different measurement models and presentation will make analysis and comparison of financial statements for the same company, for the same reporting period, comparing US GAAP and statutory accounting principles extremely difficult. This will cause challenges for companies to interpret and explain financial results. Furthermore, based on the proposal to use probability-weighted cash flows to determine loss reserves, which is not consistent with current practice or statutory requirements, it is likely that there will be different base line reserve estimates under the different accounting models. This outcome is not logical and causes one to question which estimate is the most appropriate.

GAAP to statutory differences will also result from the financial instruments and lease proposals, as statutory accounting does not currently recognize financing leases and unrealized gains and losses on certain financial instruments that are carried at fair value.

The significant differences proposed for financial instruments and insurance contracts will likely require changes to current incentive compensation plans. Since there are different measures used to determine incentive compensation (often times using income statement metrics), and the proposals include significant changes to measurement of insurance contracts and reporting of both insurance contracts and financial instruments, incentive compensation will need to be reconsidered.

Tax is a technical and complex process for insurance companies due to the differences between statutory and US GAAP reporting. We have not yet fully considered other tax and regulatory consequences of all of the proposals but believe there will be significant additional considerations that arise.

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

A4: Due to the significant changes being proposed in financial instruments, insurance contracts, and financial statement presentation, we believe retrospective application is appropriate. To properly implement these new proposals, companies will need adequate time to modify operations, analyze financial results, and properly update financial statements and other reporting requirements. Because of the significant changes, prior years will not be comparable or meaningful; therefore, we believe retrospective application will be most useful and appropriate.

As an example, the insurance contracts discussion paper proposes a different measurement model and presentation for insurance contracts. The presentation changes require significantly different financial statement line items. Furthermore, the financial instruments exposure draft proposes more detailed presentation. Due to the significant presentation differences proposed, we believe a
A separate set of financial statements would be necessary for the different years presented if retrospective application was not required.

For leases, we believe prospective application would be practical and provide the necessary information to the users of the financial statements given leases are not part of our core operations. However, to be consistent, we would not be opposed to retrospective application.

As further discussed in our comment letter on the insurance contracts discussion paper, we do not agree with the proposed transition method for insurance contracts. It is not reasonable to report any remaining profit on an in-force book of business entirely through retained earnings. This will result in inflated equity amounts in the year of transition and could result in misleading low levels of income for several future years for certain insurers.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:
   a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
   b. Under a single date approach, what should the mandatory effective date be and why?
   c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.
   d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

A5: While there are advantages and disadvantages to both approaches, we believe that a single date approach, with adequate time to implement, would be the most advantageous. Due to the significant impact of these standards, we believe it will be necessary to consider all of the required changes in totality in order to efficiently and effectively execute a plan to implement. Any system modifications, changes in processes and changes in personnel should be considered simultaneously to avoid making subsequent changes after a system or process is updated to comply with a new standard.

As an example, it will take time for us to remap our general ledger to the revised financial statements to implement the guidance in the financial statement presentation staff draft. There is also a significant amount of time that will be needed to complete XBRL tagging which will require updating after the changes in the financial statement presentation. As previously mentioned, the presentation of insurance contracts will be significantly different under the proposed discussion paper. If the financial statement presentation proposal is implemented before the insurance contracts proposal and all remapping and tagging is completed based upon the accounting and presentation of insurance contracts under current US GAAP, then all of the remapping and retagging will need to be updated to comply with the insurance contracts proposal once it is effective. We believe different adoption dates would cause significant rework and incremental costs.

There is also an inherent linkage between the financial instruments and insurance contracts proposals. Both drafts propose to recognize financial instruments and insurance contracts at a current value each reporting period with changes being reported through the income statement.
There are various arguments on this topic for both projects. The Boards and constituents are actively working on evaluating the aforementioned volatility in assets and liabilities and the appropriate recognition in the financial statements. Given this linkage, we believe it is important to align the effective dates of these two projects.

Based upon our initial estimates of costs and time to complete, we estimate it will take five years from the issuance of the final standards to properly implement all of the new guidance and provide for retrospective application of the new guidance to all years presented at the date of adoption. The projects that primarily drive this lengthy time period needed for adoption are insurance contracts and financial instruments.

We believe our preferred single date approach will be more successful if there are only limited changes made to current US GAAP during the adoption period. We agree and support the Board’s efforts to establish a single set of high-quality globally accepted accounting standards. However, it would be unproductive and costly for companies to establish and begin implementing an adoption plan that then requires significant revisions and updates due to continuing changes in standards.

Whether sequential or a single date approach is applied to adoption, we suggest the Boards provide additional implementation guidance and/or Q&A early in the process (i.e., in conjunction with the final standards) to assist companies with proper implementation.

Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

A6: We believe early adoption should not be permitted for standards that are significant to a company’s operations to promote comparability and consistency. However, we are not opposed to the option of early adoption of standards that do not significantly impact operations. Some entities may find it useful for early adopt certain standards that do not pose a significant change or are not part of their core operations in order to finalize one aspect of the adoption process and then focus efforts on more significant proposals to be adopted.

Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

A7: No comment.

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

A8: Yes. This is important for companies that have international operations. If effective dates and transition methods are not aligned, an international subsidiary may be required to adopt an updated FASB standard, for reporting to parent company, and then subsequently adopt an updated IASB standard for stand alone reporting under IFRS. This approach would be inefficient and costly. We recognize this may be a strain on resources during the adoption process; however,
we believe this would be the most efficient approach. We encourage the Boards to drive to convergence and require the same effective date and transition methods for comparable standards.

Q9. How does the Foundation’s ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

A9: No comment.