

333 South Wabash Avenue, Chicago, Illinois, 60604

March 25, 2009

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Mr. Russell Golden Technical Director Financial Accounting Services Board 401 Merritt 7 Norwalk, CT 06856-5116

LETTER OF COMMENT NO. 37

Re: File Reference Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b

Dear Mr. Golden,

CNA Financial Corporation (CNA) appreciates the opportunity to respond to the exposure draft of the proposed FASB Staff Position Proposed FSP FAS 115-a, FAS 124-a, and EITF 99-20-b, Recognition and Presentation of Other-Than-Temporary Impairments. CNA is the country's 13th largest property and casualty insurance 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 appreciates the Board's urgency in addressing issues surrounding other-thantemporary impairment and making the guidance more operational.

With regard to the specific questions posed in the exposure draft of FSP FAS 115-a, FAS 124-a, and EITF 99-20-b CNA offers the following comments:

This proposed FSP would require entities to separate (and present separately on the statement of earnings or "performance indicator") an other-than-temporary impairment of a debt security into two components when there are credit losses associated with an impaired debt security for which management asserts that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. The two components would be (a) the credit component and (b) the noncredit component (residual related to other factors). Does this separate presentation provide decision-useful information?

We believe the separation of the credit component from the noncredit component of an other-than-temporary impairment (OTTI) does assist the reader of the financials in assessing the current results of the issuer by showing the portion of the OTTI loss that the

reporting entity believes is likely to be realized from that which may still be recovered in the future. We do not support the presentation of the two components on the income statement as required in the amendment to paragraph 16B of FSP FAS 115-1 and FAS 124-1. Our view is income statement presentation is not necessary, and we believe it is inconsistent with the presentation of other elements of comprehensive income.

This proposed FSP would require that the credit component of the other-thantemporary impairment of a debt security be determined by the reporting entity
using its best estimate of the amount of the impairment that relates to an increase in
the credit risk associated with the specific instrument. One way of estimating that
amount would be to consider the measurement methodology described in
paragraphs 12–16 of FASB Statement No. 114, Accounting by Creditors for
Impairment of a Loan. For debt securities that are beneficial interests in securitized
financial assets within the scope of Issue 99-20, the amount of the total impairment
related to credit losses would be determined considering the guidance in paragraph
12(b) of Issue 99-20. Do you believe this guidance is clear and operational? Do you
agree with the requirement to recognize the credit component of an other-thantemporary impairment in income and the remaining portion in other comprehensive
income? Under what circumstances should the remaining portion be recognized in
earnings?

We believe the guidance in FASB Statement No. 114 and EITF 99-20 is clear for securities covered by those standards, but additional guidance is needed for securities not covered by these standards.

We do not believe that the proposed standard can be operational upon issuance, other than as noted in our response to question 3 below. For insurance enterprises that are required to maintain both Statutory and GAAP bases of accounting, the requirement to report only the credit component of an OTTI in income will present significant operational challenges. Unless the Statutory Accounting guidance follows GAAP, which will not be known for a period of time, changes to investment accounting systems will be required to support the different treatment under the two bases of accounting. These changes will take time to implement and may require working with outside vendors.

This proposed FSP modifies the current indicator that, to avoid considering an impairment to be other than temporary, management must assert that it has both the intent and the ability to hold an impaired security for a period of time sufficient to allow for any anticipated recovery in fair value. The Board believes that, compared to current requirements, it is more operational for management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery. Does this modification make this aspect of the other-than-temporary impairment assessment more operational (the remaining factors discussed in FSP FAS 115-1/FAS 124-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, would remain unchanged)? Should this modification apply to both debt and equity securities? Will this change result in a significant change to the assessment of whether an equity security is other-than-temporarily impaired?

We agree that the proposed changes make OTTI guidance more operational, and we believe this aspect of the FSP should be implemented immediately. We believe the Staff needs to add further clarity concerning the time horizon contemplated in the intend to sell assertion. There appears to be some inconsistency in the wording within the FSP between paragraph 2 item (b) that states "it is more likely than not that it will not have to sell the security before its recovery" and paragraph 13 that states "...it is more likely than not that an entity will not sell the debt or equity security before recovery of its cost basis". We believe "will not have to sell" or "will not be required to sell" is the appropriate standard.

The Staff needs to make clear the coverage period to which these new assertions apply. If the intent was that these assertions cover the quarter and therefore are reevaluated at each quarter end, no further guidance will be necessary. However, if the Staff's intent was that once made, the assertion remains in place until recovery in value or changed for acceptable reasons, then acceptable reasons for changing intent need to be addressed in the FSP. We believe the assertion should cover only the current quarter and be reevaluated at the beginning of each quarter. If not and the assertion is intended to remain in place, then our suggestion would be that acceptable reasons for change be much less restrictive than what is in practice currently and generally be left to management judgment.

We believe the modification to the current indicator should also apply to equity securities, but we do not believe that will result in a significant change to the assessment of when an equity security is OTTI.

4) This proposed FSP would require that the portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized (through other comprehensive income) over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows by offsetting the recorded value of the asset (that is, an entity would not be permitted to adjust the fair value of a held-to-maturity security for subsequent recoveries in the fair value of the security similar to the accounting for available-for-sale securities). Do you agree with this requirement?

We generally do not categorize our portfolio as held to maturity, but would agree to this requirement.

5) Is the proposed effective date of interim and annual periods after March 15, 2009, operational?

We do not believe implementing this FSP for interim and annual periods ending after March 15, 2009 allows companies a sufficient amount of time to integrate the additional tasks necessary to complete all aspects of this guidance. Adding to this concern is the comment period runs through April 1. As a result, a final FSP will not be available until we are well into our first quarter financial closing process timeline. The very short time

frame for adoption without interim phase in of aspects of the standard is not reasonable from an operational perspective. Suggested changes to help in implementing this standard would be:

- 1. Make adoption of the entire FSP optional for first quarter.
- 2. For all interim quarters within 2009 allow for phasing in of the bifurcation requirements as the operational aspects of separating the credit and noncredit components of OTTI are resolved. In this phase-in period allow both components of OTTI to be recognized in income and require disclosure of the OTTI losses recorded in this manner.
- 3. Make the entire FSP mandatory for reporting periods ending after December 15, 2009

We believe suggestion #2 above is the preferred alternative for addressing the transitional period until the new guidance can be fully operational.

We appreciate the opportunity to comment on this proposed standard and the Staff's willingness to react quickly to issues that are affecting registrants. If you have any questions, please feel free to contact me at 312-822-1222.

Sincerely,

D. Craig Mense

Executive Vice President and Chief Financial Officer