



Member of Liberty Mutual Group  
175 Berkeley Street  
P. O. Box 140  
Boston, MA 02117-0140  
Telephone: (617) 654-3108

April 1, 2009

Mr. Russell G. Golden, Technical Director  
FASB  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116



LETTER OF COMMENT NO.

265

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

Liberty Mutual Group (“the Company”) has an interest in this proposal as both a preparer of US GAAP financial statements but also as an investor with an invested asset portfolio of \$54 billion as of December 31, 2008. We support the overall changes in the proposed FASB Staff Position (FSP) and offer comments on certain of the questions as indicated below.

Question 1: This proposed FSP would require entities to separate (and present separately on the statement of earnings or “performance indicator”) an other than temporary impairment (“OTTI”) 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 non-credit component (residual related to other factors). *Does this separate presentation provide decision-useful information?*

Response: We agree that the presentation of credit versus non-credit components of OTTI would provide useful information to financial statement readers as it will provide additional disclosures and assist the financial statement reader in better understanding management’s assessments as to the overall quality of a reporting entity’s investment portfolio.

Question 2: This proposed FSP would require that the credit component of the other-than-temporary 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*

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*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?***

Response: The Company believes that the discussion of the meaning of "credit losses" should be expanded to include the effect of widening credit spreads in the determination of credit versus non-credit based impairments. We believe that widening credit spreads are not credit losses unless an analysis by the reporting entity determines that the payment ability by the issuer is affected.

Question 3a: 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)?***

Response: We endorse the proposal to determine if an impairment is other than temporary based upon management's assertion 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." We believe this modification will result in financial statements that more fairly present the results that have occurred and are likely to occur based upon management's plans for managing the operations. The "intent and ability" criteria may be a theoretically correct approach to the issue, but a theoretical approach usually assumes a clear-cut set of facts and circumstances as well as the availability of perfect data in support of the conclusions drawn. In practice, facts and circumstances are never as clear-cut as a theoretical approach would indicate. Additionally, it does not always fit a reporting entity's operating model in every case. We believe the proposal will allow management and independent auditors to agree on the need for recording impairments in a framework that better reflects **both** the inherent economics and business operations of the entity.

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Question 3b: ***Should this modification apply to both debt and equity securities?***

Response: We believe this modification should apply equally to both debt and equity securities and additionally to all investments.

Question 3c: ***Will this change result in a significant change to the assessment of whether an equity security is other-than-temporarily impaired?***

Response: We believe this change will result in a significant change to the assessment of whether a public equity security is other-than-temporarily impaired. For equity securities, this will change the assessment of whether the security is other-than-temporarily-impaired from a bright-line test based upon duration and severity of the impairment to a test based upon intent not to sell and the probability that the holder will not be forced to sell the security prior to its recovery in value. While the Company performs extensive analysis on all securities that meet our internal OTTI screening criteria and take action if warranted, we believe the proposal outlined in the FSP will make this process more operational and practical in nature.

Question 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?***

Response: We agree conceptually with this requirement. We would encourage the Board to allow the recognition in the income statement of any recovery of value related to any impairment that is recorded through the income statement.

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

Response: We believe that a March 31, 2009 effective date is operational but will be extremely challenging to implement for the quarterly financial close process.

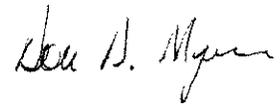
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We appreciate the opportunity to comment on the proposal and trust our comments will prove helpful to the process.

Sincerely,

A handwritten signature in black ink, appearing to read "Don D. Myers". The signature is written in a cursive style with a prominent initial "D".

Don Myers, CPA, CMA  
V.P. & CFO, Investments