

October 9, 2009

Technical Director
File Reference No. 1710-100
FASB
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Liberty Mutual 175 Berkeley Street P.O. Box 140 Boston, MA 02116-0140 (617-357-9500)

Re: Proposed Accounting Standards Update, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair value Measurements

Liberty Mutual Group ("LMG") has an interest in this proposal as both a preparer of US GAAP financial statements and as an investor with an invested asset portfolio of \$57 billion as of June 30, 2009. We understand the need to continually strive for more transparent financial reporting. In addition, we are sensitive to the need to ensure investors have adequate information in a timely fashion. While the proposed changes to Fair Value will provide more information to the reader of the financial statements, they also will place a significant burden on financial statement preparers that we do not believe is in line with the potential benefit it might provide.

<u>Issue 1:</u> With respect to the disclosure of the effect of changes in reasonably possible, significant, alternative inputs for Level 3 fair value measurements for each class of assets and liabilities (sometimes also referred to as sensitivity disclosures), the Board is seeking input from financial statement preparers about their operationality and costs.

**Response:** We are concerned about the move to add sensitivity analysis for the Level 3 instruments, specifically around the comparability of sensitivity analysis provided by different preparers of financial statements. For example, although interest rate sensitivity may be calculated, a less sophisticated user of the financial statements might not understand the relationship of the sensitivity to the underlying assumptions. It is also of concern that a great deal of variability is being introduced by the "reasonably possible" definition. For example, one issuer may take a view on rates or markets that another issuer does not and, in doing so, these assumptions will provide scenarios that are reasonably possible that others will not address. We believe that this does not address the users' request to understand all reasonably possible scenarios. In our opinion, sensitivity disclosures are more useful in a Management Discussion and Analysis format, to discuss alternative outcomes (values using other reasonable inputs), whereas financial statement disclosures should provide the reader additional information to support the reported financial statement balances. We believe that the information currently required under ASC Topic 820, i.e., a reconciliation of Level 3 beginning and ending balances (net basis) and description of the valuation technique and inputs used to determine the fair values is sufficient for a reader to understand that there could be other possible outcomes.



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<u>Issue 2:</u> With respect to the reconciliation (sometimes referred to as a roll forward) of fair values using significant unobservable inputs (Level 3), the amendments in this proposed Update would require separate disclosure of purchases, sales, issuances, and settlements during the reporting period. Is this proposed requirement operational?

Reporting Standards, we advocate an approach that enumerates all the requirements prior to implementation. We believe that a comprehensive approach that proposes all changes is more in line with an entity's ability to change systems and processes in a controlled fashion without introducing undue risk into a process. While any change is operationally possible with the sufficient resources, a change like the one proposed will require significant unplanned additional expenditures for external consulting costs and internal resources in order to meet the proposed effective date.

<u>Issue 3:</u> Is the proposed effective date operational? In particular, will entities be able to provide information about the effect of reasonably possible alternative inputs for Level 3 fair value measurements for interim reporting periods ending after March 15, 2010?

**Response:** We do not agree with the proposed effective date. As stated above, while any change is operationally possible with the sufficient resources, a change like the one proposed will require significant unplanned use of internal resources. As such, we would prefer an effective date for periods ending after September 15, 2010 to meet the requirement with less impact on resources.

In summary, LMG is not in support of the scope of the proposed ASU especially given the proposed timeline. We believe that the current disclosure requirements provide sufficient information for the user of the financial statements to perform an analysis of an entity's performance and expected future cash flows and the introduction of disclosures for changes related to reasonably possible, significant alternative inputs will result in less comparability of disclosures across different entities. We believe that the unanticipated operating costs required to make the detailed changes exceeds the usefulness of the additional disclosures.

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

Sincerely,

David Hayter

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