



October 25, 2013

Ms. Susan M. Cospers
Technical Director
File Reference No. 2013-290
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

Delivered electronically to: director@fasb.org

Subject: File Reference No. 2013-290 Insurance Contracts (Topic 834) (the Exposure Draft)

Dear Ms. Cospers:

Host Hotels & Resorts, Inc. supports the mission of the Financial Accounting Standards Board (FASB or the Board) to improve financial accounting and reporting, including its pursuit toward international convergence with the International Accounting Standards Board (IASB) and other standard setters. We appreciate the opportunity to provide comments on the above referenced Exposure Draft. In general, we strongly agree with the FASB's decision to exclude from the scope guarantees that are specifically addressed in other topics of existing accounting guidance, such as leasing, revenue recognition or real estate. Therefore, in the final standard, we request that the Board further clarify the exclusion of all indemnities, guarantees, representations, warranties and other similar provisions (collectively, indemnities) included in real estate purchase and sale agreements.

About Host Hotels & Resorts, Inc.

Host Hotels & Resorts, Inc. is an S&P 500 and Fortune 500 company and is the largest U.S. lodging real estate investment trust (REIT) and one of the largest owners of luxury and upper-upscale hotels. We are also a member of the National Association of Real Estate Investment Trusts[®] (NAREIT). The Company currently owns 103 properties in the U.S. and 15 properties internationally totaling approximately 62,700 rooms. We also hold non-controlling interests in a joint venture in Europe that owns 19 hotels with approximately 6,400 rooms and a joint venture in Asia that owns one hotel in Australia and a minority interest in two hotels in India. Guided by a disciplined approach to capital allocation and aggressive asset management, the Company partners with premium brands such as Marriott[®], Ritz-Carlton[®], Westin[®], Sheraton[®], W[®], St. Regis[®], Le Meridien[®], The Luxury Collection[®], Hyatt[®], Fairmont[®], Four Seasons[®], Hilton[®], Swissotel[®], ibis[®], Pullman[®], and Novotel[®] in the operation of properties in over 50 major markets worldwide. For additional information, please visit our website at www.hosthotels.com.

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Host Hotels & Resorts, Inc.'s Comments and Recommendations

While we recognize that an objective of the Board is to enhance the consistency of measuring the liability for incurred claims associated with our short-term captive insurance contracts, our primary concern with the Exposure Draft is that the scope could result in inconsistent accounting, particularly with respect to indemnities arising from real estate purchases and sales.

Scope Exclusion for All Indemnities in Real Estate Purchase and Sale Agreements

We recommend that the FASB explicitly exclude all indemnities associated with real estate purchase and sale agreements from the scope of the Exposure Draft to promote consistent accounting. As stated above, in accordance with paragraph BC58 of the Exposure Draft, we support the FASB's conclusion to exclude guarantees that are specifically addressed in existing accounting guidance, such as leasing, revenue recognition or real estate. However, we believe that the current scope of the Exposure Draft lacks clarity in this regard and appears to exclude only the guarantees in ASC 360 *Property, Plant, and Equipment*, such as the guarantee of: 1) a return of the buyer's investment; 2) a return on that investment of property; or, 3) a specified level of operations of a property (refer to ASC 360-20 *Real Estate Sales*).

Listed below are examples of areas in the Exposure Draft that require clarification and our recommended modifications toward clarifying the scope exclusion of all indemnities contained in real estate purchase and sale agreements:

- 1) While item (l)(3) of paragraph 834-10-15-5 excludes all guarantees in ASC 360 *Property, Plant, and Equipment* (including real estate sales accounting), item (c) of 834-10-55-41 illustrates the scope exclusion of a guarantee on the environmental exposure of a sold property mainly because it would be considered unusual and nonrecurring, as well as unrelated to other types of guarantees issued by the company. This example and item (k)(3) of 834-10-15-5 imply that the indemnities usually included in real estate sales contracts (*i.e.*, associated with the potential breach of tax or environmental representations) may be accounted for under the Exposure Draft, unless they meet the unusual or nonrecurring and unrelated risk criteria.

We suggest that the Board remove the example relating to the sale of property and provide a scope exclusion for all indemnities provided in these contracts, irrespective of whether the guarantee is both unusual or nonrecurring, and unrelated to the type of risk that is the subject of other guarantees issued by the entity. We believe that making these distinctions under the Exposure Draft could create inconsistent accounting for similar transactions.

Further, based on our experience, the outcomes of the indemnities for breach of any representation or warranty included in our contracts are typically remote. Therefore, we believe that the costs associated with: 1) calculating the present value over a relatively short period of time; 2) determining probability-weighted average amounts; and, 3) updating expectations each reporting period would far exceed the benefits of reporting these amounts pursuant to the Exposure Draft. As a result, we believe that these typical indemnities should be excluded.

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- 2) The table in 834-10-55-40 indicates that routinely granted minimum revenue guarantees would be included in the scope of the proposed insurance accounting. However, in conjunction with the scope exclusion of ASC 360 *Property, Plant, and Equipment*, the proposed guidance is unclear to us and could result in inconsistent accounting for performance guarantees included in real estate sales contracts.

We request that the Board clearly exclude performance guarantees and other indemnities contained in real estate purchase and sale agreements from this table, as well as from the entire scope of the Exposure Draft.

Scope Exclusion for Guarantees between Related Parties and Entities under Common Control

We agree with the FASB's scope exclusion of certain guarantees (including a guarantee of debt owed to a third party) between related parties and between entities under common control, since these guarantees do not represent arm's-length transactions.

Again, thank you for allowing us to participate in the FASB's considerations toward the development of a new insurance standard. If you would like to discuss our comments, please contact Brian Macnamara, Senior Vice President and Corporate Controller, at (240) 744-5423 or brian.macnamara@hosthotels.com.

Respectfully submitted,

/s/ Brian Macnamara

Brian Macnamara
Senior Vice President and Corporate Controller
Host Hotels & Resorts, Inc.