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Technical Director
File Reference No. 2015-220
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Via e-mail to director@fasb.org

Re: Proposed Accounting Standards Update: Derivatives and Hedging (Topic 815), Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives

Dear Technical Director:

The Hartford Financial Services Group Inc. (“The Hartford” or “we”) appreciates the opportunity to comment on the Financial Accounting Standards Board’s (“FASB”) Proposed Accounting Standards Update (“ASU”) concerning *Derivatives and Hedging (Topic 815), Disclosures about Hybrid Financial Instruments with Bifurcated Embedded Derivatives*. The Hartford provides property and casualty and group benefits insurance, as well as investment products to both individual and business customers in the United States of America. We also continue to manage life and annuity products previously sold. As of December 31, 2014, The Hartford reported embedded derivatives with an aggregate absolute fair value of \$204 million and a notional amount of over \$19 billion.

Although we support increased transparency and usefulness of financial information; we do not believe the proposed disclosures are useful and at a minimum we believe the disclosures should scope out insurance contracts for which the disclosures would be unduly complex to understand.

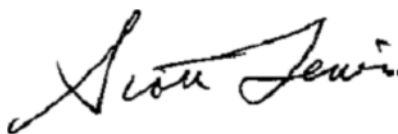
- The proposed ASU was born out of the financial instruments project and the exposure draft coming out of that project excluded insurance contracts. At a minimum, we believe this proposed new disclosure requirement on hybrid instruments with bifurcated embedded derivatives should scope out insurance contracts. The financial instruments exposure draft would have replaced embedded derivatives with a requirement to mark to market through income those instruments that were not for solely payments of principal and interest (SPPI). We appreciate the FASB has decided to retain embedded derivative guidance and not fully mark instruments to market through net income. However, we do not agree expanded disclosures for embedded derivatives are helpful or necessary, especially for insurance contracts.
- These disclosures fail to be informative to the reader in meeting the stated objective to “provide users of financial statements with decision-useful information that reflects the overall economics and cash flows for the entire hybrid financial instrument.” Without cash flow information and getting into asset-liability management and hedging, an understanding of the economics of the hybrid instruments and their host contracts is incomplete and, therefore, the proposed disclosure would not be decision-useful.
- Existing disclosure requirements are sufficient. The accounting policy and other existing disclosures for host contracts without embedded derivatives should be adequate to understand the accounting for the host contract with embedded derivatives. Current Securities and Exchange Commission guidance requires embedded derivatives to be reported with their host and companies’ policy disclosures generally indicate such reporting. Existing derivative disclosures require derivative fair values by balance sheet line and income

statement location of gains and losses. To meet the stated objective of conveying the overall economics and cash flows of a hybrid instrument, we note that current disclosures already require disclosure of characteristics for debt liabilities and additional disclosure is not warranted for most investment assets since they are carried at fair value already.

- There are many implementation issues that arise in trying to determine the financial statement location and amounts that would be presented for a number of embedded derivatives common to the insurance industry. These include:
 - How does one define the “host” contract in a variable annuity (VA) contract with a bifurcated guaranteed minimum withdrawal benefit (GMWB)? A VA can be reported among three balance sheet lines today – policyholder funds for the GMWB embedded derivative and the stable account value; separate account liability for the variable account value; and insurance benefit reserves for the life-contingent benefits. Would the host include all three non-derivative components? Would the “statement of financial performance” location requirements similarly include multiple locations and amounts for fee income and benefits expense? The complexity of embedded derivatives within VA contracts makes the proposed disclosure requirement very difficult to implement and less likely to be useful information to investors.
 - For reinsurance contracts that include both coinsurance and modified coinsurance (modco) arrangements and contain a modco embedded derivative (referred to as “DIG B36” because they were addressed in Derivative Implementation Group Issue B36), what is the appropriate host contract amount? Is it the entire reinsurance contract, or just the portion for which the invested assets were retained by the ceding insurer? Likewise, what would be the appropriate “statement of financial performance” disclosure, the experience on the entire reinsurance arrangement or the experience on only the elements subject to the modco arrangement? Would the “statement of financial performance” location requirements similarly include multiple locations and amounts for fee income and benefits expense? We question whether this is useful disclosure.
 - Is there a succinct way to depict the “measurement attribute” of the host components for the VA or the reinsurance contract with a modco embedded derivative? What would be the “measurement attribute” that cannot simply be described as fair value or amortized cost? In abbreviated terms we might describe this as “policyholder account value plus reserve for insurance benefit” but we question whether this is useful information of what would be expected by the standard.
 - What is meant by the undefined term “Statement of Financial Performance”? Does this include only the statement of income, or is it meant to also include other comprehensive income (OCI)? With respect to available-for-sale-debt securities, would the disclosure include net investment income for interest, realized capital losses for impairment and OCI for unrealized gains/losses? We question whether this much information is really meaningful for a group of investment securities whether aggregated by type or presented in a comprehensive list.

Thank you for the opportunity to provide input on the proposal. Please contact me at 860-547-4848 or scott.lewis@thehartford.com if you would like to discuss our comments.

Sincerely,



Scott R. Lewis