



333 South Wabash Avenue, Chicago, Illinois, 60604

March 25, 2009

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

Re: File Reference Proposed FSP FAS 157-e

Dear Mr. Golden,

CNA Financial Corporation (CNA) appreciates the opportunity to respond to the exposure draft of the proposed FASB Staff Position FAS 157-e, Determining Whether a Market Is Not Active and a Transaction Is Not Distressed. 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 fair value as a result of the turmoil in the financial markets and specifically the practice issues arising from the application of FASB Statement No. 157, Fair Value Measurements (FAS 157) and the related FSP's.

By way of background, CNA's \$35 billion investment portfolio includes invested assets in a broad range of asset classes. In normal investment markets, the vast majority of our invested assets would be classified as Level 1 or 2 under FAS 157, therefore with the exception of most of our structured securities, we do not currently have the capacity or the infrastructure to individually model substantial portions of the portfolio within the timeline of our closing process.

With regard to the specific questions posed in the exposure draft of FSP FAS 157-e CNA offers the following comments:

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

Given the constraints noted above, the two step process for making the determination whether a market is not active or a transaction is not distressed could be operational only

in limited circumstances by first quarter 2009. Please refer to our response to question 3 for our suggestions on how to address this, at least in the short term.

Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?

The FSP would meet the objective of improving financial reporting once it is operational. Further guidance on the determination of appropriate discount rates is essential to achieving an appropriate level of consistency and comparability as this requires significant judgment. We strongly believe that the discount rate guidance should result in discount rates that are reflective of normal, functioning markets. This is best evidenced by historical data over market cycles. In addition, to make this more operational there needs to be an ability to aggregate securities that have similar characteristics for purposes of establishing discount rates.

The example given in the proposed FSP paragraphs A32A – A32G provides a singular example. It would be helpful to include relevant examples for the practical aspects of applying these techniques to larger portfolios of both structured securities and fixed income securities.

3) Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.

While we believe the two-step model is understandable, we do not believe it can be operational for interim periods ending after March 15, 2009. Adding to this concern is that the comment period runs through April 1, therefore a final FSP will not be available until we are well into our first quarter close procedures. 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:

- For step two, allow use of fair value as currently determined for the remainder of 2009 or some other limited period to allow financial statement preparers and/or outside pricing services time to build the required modeling capability to fully implement this FSP
- 2. Make adoption of the entire FSP optional for first quarter.
- 3. Make the entire FSP effective for reporting periods ending after December 15, 2009

We believe suggestion #1 above is the preferred alternative for addressing the transitional period until the new guidance can be fully operational.

Another factor unique to insurance enterprises that will contribute to the complexities of implementing this FSP is whether Statutory Accounting rules will follow GAAP's lead in establishing a fair value based on the proposed two step model. Even if the two bases of accounting are ultimately aligned, they may not be for first quarter 2009 reporting which further contributes to our view that the standard can not be operational for that reporting period.

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