

September 7, 2010

Technical Director Financial Accounting Standard Board (FASB) 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: Exposure Draft – Fair Value Measurements and Disclosures

File Reference No. 1830-100

Dear Technical Director:

The Hartford Financial Services Group Inc. ("The Hartford" or "The Company" or "we") appreciates the opportunity to comment on the Proposed Accounting Standards Update ("ASU"), Fair Value Measurements and Disclosures, Requirements in U.S GAAP and IFRS. The Hartford acknowledges the benefits of enhancing transparency in the financial statements through improvements to fair value measurement disclosures and supports the Board's objective to align IFRS and U.S. GAAP principles and requirements for measuring fair value. However, The Hartford does not believe that the benefits of providing the proposed additional disclosures relating to measurement uncertainty outweigh the exorbitant resources that will be incurred to provide these required disclosures

Below are our responses to the relevant Questions for Respondents outlined in the Proposed ASU which address our concerns.

Question 7: The Board has decided to require a reporting entity to disclose a measurement uncertainty analysis that takes into account the effect of correlation between unobservable inputs for recurring fair value measurements categorized within Level 3 of the fair value hierarchy unless another Topic specifies that such a disclosure is not required for a particular asset or liability (for example, the Board has decided in its project on the accounting for financial instruments that a measurement uncertainty

analysis disclosure would not be required for investments in unquoted equity instruments). Do you think that proposal is appropriate? If not, why not?

The Hartford does not feel the measurement uncertainty analysis, including the effects of correlation between unobservable inputs for recurring fair value measurements categorized within Level 3 of the fair value is appropriate for the following reasons:

❖ The Hartford does not believe the benefits of providing the recommended measurement uncertainty analysis outweigh the significant costs to produce the analysis. The Company already spends a tremendous amount of resources to determine the most accurate fair value for our financial assets and liabilities as we believe it is most important to dedicate resources to a robust process that supports the actual fair valuation process, including the accurate and complete disclosure regarding the determination of fair value.

The Hartford's Level 3 financial instruments include less liquid securities as well as guaranteed product embedded and reinsurance derivatives and other complex derivative securities, including customized guaranteed minimum withdrawal benefit ("GMWB") hedging derivatives, equity derivatives, long dated derivatives, swaps with optionality, certain complex credit derivatives and certain other liabilities. Because Level 3 fair values, by their nature, contain unobservable market inputs as there is little or no observable market for these assets and liabilities, considerable judgment is used to determine the Level 3 fair values. We incur considerable time, effort and costs for the maintenance of Level 3 fair values, which represent The Company's best estimate of an amount that could be realized in a current market transaction absent actual market exchanges. We do not believe that incurring additional time and expenses to evaluate alternative inputs, that could have reasonably been used, provide improved disclosures. Rather, such an effort would likely redirect resources to establishing and supporting a complex disclosure scenario process that would produce complicated and non comparable results.

❖ The Hartford does not believe that measurement uncertainty analysis disclosures would provide meaningful or useful information as it pertains to most debt securities because of the nature of the unobservable inputs used in Level 3 fair value measurements. Primary inputs for debt securities, including certain structured securities, often include benchmark yields, issuer spreads, collateral performance (which can vary by vintage year and includes delinquency rates), loss severity rates, collateral refinancing assumptions, prepayment assumptions, and credit default swap indices. These inputs are not necessarily correlated. Such an exercise would be much more complex and produce more complicated results than, for instance, the health care trend rate sensitivity used in certain postretirement benefit plan disclosures. We believe the results of changing multiple inputs under possibly various

scenarios would produce complicated hypothetical results that would be difficult to explain and understand and would be a time and resource-consuming process.

- ❖ The Proposed Accounting Standard is unclear as to the unit of account for which the measurement uncertainly analysis would apply. Given the nature of The Hartford's financial instruments, the complexity of such a measurement uncertainly analysis could be enormous. For instance, we own thousands of debt securities which are classified by asset type in our fair value measurement disclosures. To model a particular asset type may involve modeling the hundreds of individual securities that comprise the various asset types that constitute Level 3 instruments, especially since input results are different for each security. We assume that it is the intent of the proposed guidance to model a particular asset class as a group, as modeling an individual security is not likely to have a significant impact on the fair values reported in an entity's balance sheet or in the changes in fair values recognized either in net income or in other comprehensive income.
- * Many Level 3 investments of financial services companies, including The Hartford's, are classified as such as they are primarily priced by independent brokers and utilize inputs that may be difficult to corroborate with observable market based data. Requiring this measurement uncertainty analysis for prices obtained from these outside sources provides for added complexity and costs. For example, the proposed guidance indicates that: "if changing one or more of the unobservable inputs used in a fair value measurement to a different amount that could have reasonably been used in the circumstances would have resulted in a significantly higher or lower fair value measurement, a reporting entity shall disclose the effect of using those different amounts and how it calculated that effect." It should be noted that the ASU indicates "significance shall be judged with respect to earnings (or changes in net assets) and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, with respect to total equity" These independent brokers would not have the information available to assess "significance" for a particular reporting entity, as such brokers are often providing prices for various unrelated entities. To require such analysis from brokers would add cost and complexity for a relatively immaterial benefit gained from the additional disclosure.

If the measurement uncertainty analysis data necessary for the proposed disclosure cannot be obtained from independent brokers, companies would have to develop complex models designed to capture and manipulate the data necessary to affect such disclosure. Building such a modeling process necessary to accommodate the complexity of such a disclosure, in our opinion, would be a costly and resource-consuming endeavor.

- ❖ We do not believe the information will be comparable across companies due to the subjective nature of the assumptions. The Hartford believes this subjectivity may be exacerbated during highly volatile periods in the market, again with little added meaning behind the disclosures. For example, two companies may have the same invested asset at similar carrying values, yet their evaluations of other unobservable inputs which "could have reasonably been used in the circumstances" will likely differ, resulting in non-comparable measurement uncertainty disclosures.
- ❖ As a final note, The Hartford believes strongly that on the asset side of the balance sheet, these measurement uncertainty disclosures add a tremendous amount of cost and complexity for little added benefit, as described above. However, for The Company's guaranteed living benefit (GMWB and GMAB) liabilities, these additional costs and complexities increase exponentially. In determining a fair value for these guaranteed living benefits, The Hartford utilizes very complex proprietary models which factor in numerous assumptions applied to large amounts of inforce data. The combination of these efforts; along with a rigorous review of assumptions, provide management with the ability to estimate fair value using unobservable data. The significant unobservable inputs for these liabilities include, credit standing adjustments, implied market volatility, lapse rate assumptions and risk margins The Hartford feels strongly that it is associated with policyholder behavior. inappropriate to disclose proprietary data for these guaranteed living benefit liabilities, as these same assumptions may also be used for pricing. In addition, in order to determine the impact of other inputs which reasonably could be used in the circumstances, The Hartford would need to run multiple complex models and derive correlation impacts, the costs of which would significantly exceed the benefits. Currently, running the existing models is extremely time consuming. The added iterations, data storage and correlation analysis could jeopardize the process, systems and data integrity of our existing valuation models and techniques. Therefore, The Hartford feels strongly that the cost of disclosing this information, both for proprietary reasons as well as the complexity of the calculations, significantly outweighs any benefits to the readers of the financial statements Again, The Harford believes that the most important effort should be dedicated to calculation of fair value in the first place with accurate and complete disclosure as to how fair value was determined.

Question 8: Are there alternative disclosures to the proposed measurement uncertainty analysis that you believe might provide users of financial statements with information about the measurement uncertainty inherent in fair value measurements categorized within Level 3 of the fair value hierarchy that the Board should consider instead? If so, please provide a description of those disclosures and the reasons why you think that information would be more useful and more cost-beneficial.

The Hartford offers the following alternative, to improve the transparency surrounding fair value disclosures including Level 3 securities.

❖ The FASB should consider expanding the disclosures to include a qualitative assessment of the risks that may exist due to the measurement uncertainty which inherently exists in valuing Level 3 securities. The Hartford believes that a qualitative disclosure is better positioned to provide directional guidance if significant changes occur with the assumptions management has relied on.

We appreciate the opportunity to comment on the proposed ASU and would be happy to discuss our comments in more detail with the Board or its staff. Please feel free to call me at (860) 547-4135.

Very truly yours,

Beth A. Bombara

Senior Vice President, Controller, and Chief Accounting Officer

The Hartford Financial Services Group, Inc.

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