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September 25, 2012

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Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Re: File Reference No. 2012-200

Dear Ms. Cospers,

CNA Financial Corporation (CNA) appreciates the opportunity to comment on the FASB's Financial Instruments – Disclosures about Liquidity Risk and Interest Rate Risk Exposure Draft (ED). CNA participated in the outreach conducted by the FASB Staff on this project in 2011. Our comments in this letter are largely consistent with the feedback we previously provided. CNA is the seventh largest commercial insurance writer and the thirteenth largest property and casualty (P&C) writer in the United States. CNA's core business is the underwriting of P&C commercial insurance, and we also have certain life and group lines of business that are in run-off.

We believe the accounting rules and disclosures for both financial instruments and insurance contracts should complement the insurance business model and provide readers of our financial statements with relevant information to make judgments about our insurance underwriting profitability, liquidity, asset quality, and asset - liability duration and cash flow alignment. We agree users want information to be able to assess liquidity risk and interest rate risk, but we also believe the current disclosure requirements in combination with the SEC's Management Discussion and Analysis (MD&A) requirements already provide users with the liquidity risk and interest rate risk information they require from insurance companies.

CNA provides extensive financial statement disclosures that are relevant to a financial statement users' assessment of our liquidity and interest rate risk. These disclosures include:

- Cash flow statement,
- Comparison of amortized cost to fair value for each major class of investments,
- Fair value level hierarchy,
- Discussion of any significant restrictions regarding liquidity of investments,
- Estimated maturity of investments, and
- Discussion of significant commitments and contingencies.

As an SEC registrant, CNA also provides substantial additional disclosures outside the financial statements. These disclosures include:

- Forward-looking discussion of liquidity and capital resources in MD&A,
- Quantification of estimated commitments, contingencies and guarantees in MD&A, including the estimated timing of insurance liability settlement,
- Quantitative and Qualitative Disclosures about Market Risk that provide sensitivity analysis on our interest rate risk, foreign currency risk and equity price risk, and
- Quantification of the estimated pretax impact on our results of operations from various hypothetical revisions to our assumptions in our Life & Group Non-Core Policyholder Reserves within our MD&A – *Reserves – Estimates and Uncertainties*.

For insurance company financial statement users, we do not believe the benefits of this ED outweigh the costs. The volume of additional proposed disclosures would be overwhelming relative to the additional benefit the information would provide. We believe this is inconsistent with the objective and primary focus of FASB's Disclosure Framework Discussion Paper that is currently available for comment. Also, while we recognize reducing the volume of notes is not the primary focus of the Disclosure Framework project, the Board acknowledges that a sharper focus on important information will result in reduced volume in most cases. For insurance companies, adding these additional proposed disclosures will not improve the effectiveness of disclosures in the notes to our financial statements.

The additional disclosure requirements proposed in this ED would address needs of users of the financial statements of institutions that earn, as a primary source of income, the difference between interest income generated by earning assets and interest paid on borrowed funds (the spread). Our business is fundamentally different as compared to

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these institutions. We outline below why entities that provide insurance should not be required to disclose the tables proposed in this ED, unless such entities earn as a primary source of income the spread. This can be accomplished by removing “provide insurance” from the definition of a “financial institution” for the purpose of this ED. We acknowledge entities that provide insurance products accounted for as investment or universal-life type contracts under ASC 944 (formerly FAS 97) typically earn as a primary source of income the spread. Consequently such entities (or reportable segments) would still be required to provide these tables even after removing “provide insurance” from the definition of a “financial institution”. Throughout the remainder of this letter reference to “insurance companies” refers to those that do not provide products accounted for as investment or universal-life type contracts.

Liquidity Risk Disclosures

We understand the purpose of the proposed liquidity risk disclosures is to provide users of financial statements with information to help assess the risk that an entity may encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset.

The basic insurance operating model involves receipt of premium in return for accepting risk. Since the premium dollars are generally collected well in advance of the settlement of insurance liabilities, the premium cash is invested in long-term investments (primarily investment-grade debt securities) that can be traded in active, liquid markets. Insurance liabilities can be both short-tail and long-tail in nature, and the amount and timing of settlement is subject to significant uncertainty, which includes the risk of a catastrophic loss event. Because of this business model, insurance company liquidity needs are generally met through operating cash flow or through maturities, calls, and prepayments of financial assets. As a result, liquidity has not been a significant concern of users of insurance company financial statements.

Our experience has been that even in times of substantial stress, users of our financial statements had the information they needed to make informed judgments about our liquidity. Examples of stress situations were the catastrophic losses arising from the September 11, 2001, terrorist attacks and the significant financial market downturn and disruption in 2007 and 2008. In both of these stress situations, users of our financial statements focused much more on capital adequacy than on liquidity.

Interest Rate Risk Disclosures

➤ *Repricing Gap Analysis table*

We understand the purpose of requiring the disclosure of a Repricing Gap Analysis table is to provide users with information they need to assess matched funding, the impact of potential interest rate mismatches, and repricing risk.

Our P&C insurance liabilities are primarily comprised of insurance reserves that do not contractually accrue interest. This is also true for our life insurance business, as only a subset of our life insurance products contractually accrue interest. As a result, our insurance liabilities would primarily be disclosed in the Repricing Gap Analysis table as having a yield of zero percent.¹ For insurance companies, rather than this table providing users with information about interest rate mismatches, it would provide disaggregated financial asset yield information that is already disclosed in an aggregated form within our MD&A.

➤ *Interest Rate Sensitivity Table*

We understand the purpose of requiring the disclosure of an Interest Rate Sensitivity table is to provide users with the information they need to assess how fluctuations in market interest rates would affect the cash flow prospects of an entity.

For an insurance company, changes in interest rates would only have an impact on financial assets and would not typically impact the insurance reserves². As such, the information to be included within the Interest Rate Sensitivity table does not provide incremental value beyond the market rate information already included within our MD&A.³ Currently insurance companies provide estimated effects on the fair value of the financial instruments held due to interest rate, foreign currency exchange rates, and equity market movements within the MD&A. Additionally, due to the subjective assumptions required to calculate changes in shareholders' equity for changes in interest rates, we have concerns regarding the comparability of the resulting disclosures.

¹ We acknowledge this interpretation differs from the interpretation we took in responding to FASB outreach in 2011, in which stated we would expect to disclose in the yield column the discount rate used to discount reserves. The ED clarified that the requirement to disclose yield was to disclose the weighted-average contractual yield in ASC 825-10-50-23Y b.

² We acknowledge that in some situations life insurance reserves may be impacted by the effect of premium deficiencies and shadow adjustments.

³ SEC Regulation S-K Item 305 (a) (ii)

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The remainder of this letter addresses the specific questions applicable to CNA contained in the ED and further elaborates on our conclusions.

If you have any questions, please feel free to call me at 312-822-5653.

Sincerely,

A handwritten signature in black ink, appearing to read "Lawrence J. Boysen". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Lawrence J. Boysen

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General Note: We acknowledge entities that provide insurance products accounted for as investment or universal-life type contracts under ASC 944 (formerly FAS 97) typically earn as a primary source of income the spread. Throughout the remainder of this letter reference to “insurance companies” refers to those that do not provide products accounted for as investment or universal-life type contracts.

Questions for Preparers and Auditors—Liquidity Risk

Question 1: For a financial institution, the proposed amendments would require a liquidity gap table that includes the expected maturities of an entity’s financial assets and financial liabilities. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response 1: We do not foresee any significant operational concerns or constraints in complying with this requirement. We do not, however, believe the information is useful for users of an insurance company’s financial statements and question the need to include this table in the financial statement footnotes. We believe insurance companies should be excluded from the requirement to disclose this table because this table does not address the liquidity risk of an insurance company as discussed in our cover letter. Please also see our responses to Questions 3 and 6 where we note our concerns regarding this table.

If the proposed disclosures are adopted, further guidance around the amounts to be included within this table would be helpful. It is unclear from the proposed guidance whether the intention of the FASB (the Board) is for an entity to disclose the nominal or discounted cash flows in the maturity columns. We believe nominal cash flows are most appropriate as they are the actual cash flows, but note the “Total Carrying Amount” column in this table, and acknowledge the benefits of reconciling this information to the financial statements.

Question 2: For an entity that is not a financial institution, the proposed amendments would require a cash flow obligations table that includes the expected maturities of an entity’s obligations. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response 2: We do not foresee any operational concerns in complying with this requirement. We believe a significant portion of the information that would be included within this table is already primarily included within our MD&A (please see our response to Question 22) and within the information we provide related to commitments and contingencies in our footnotes.

Question 3: The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. *Expected maturity* is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity’s expected timing of the sale or transfer of the instrument. Do you agree that the term *expected maturity* is more meaningful than the term *contractual maturity* in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

Response 3: We agree that expected maturity is more meaningful than the term contractual maturity for entities that manage their financial assets to meet the obligations of their financial liabilities. We do not believe this information would be beneficial to users of an insurance company’s financial statements. As discussed in our cover letter, we do not manage liquidity risk solely by managing the maturities of financial assets and liabilities and we already provide sufficient information about our liquidity risk within our footnotes and our MD&A.

If insurance companies are required to disclose this information, the proposed amendments would be enhanced if the definition and application of *expected maturity* was refined. In order to present useful information to financial statement users, the definition of *expected maturity* should be expanded to include an entity’s intent to sell financial assets as defined in ASC 320-10-35. The Board notes that it is important for an entity to be able to present liquidity disclosures that incorporate an entity’s expectations related to the most significant contractual features of their financial assets and liabilities. To the extent financial instruments are transferable by their contractual features, the intent to sell would be an important factor for an insurance company to consider and incorporate when providing this information.

As it pertains to our financial liabilities, insurance reserves differ from the financial liabilities of other financial institutions because they do not have a contractual payment stream (some universal life and investment contract products may) and they are not on-demand liabilities that can be put back to us. Additional guidance would need to be provided in order to present insurance reserves in this table. While we do include insurance reserves in the contractual commitment information provided in our MD&A, this information is based on our best estimate of the amount and timing of the ultimate settlement, not the contractual terms of the underlying insurance contracts. We

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believe an appropriate presentation of our reserves in a liquidity disclosure would be based on our best estimate of the nominal amount and timing of the ultimate settlement.

We acknowledge that requiring entities to consider their expectations and best estimates when determining expected maturity would involve significant judgment. We believe this judgment not only has the potential to decrease comparability, but also would inherently contain forward looking expectations that would pose difficult auditability questions. More importantly, however, we believe that if entities are not required to consider these expectations, the disclosure would not accurately reflect the interrelationship of risks between financial assets and liabilities and would not provide useful information to users.

Question 4: The proposed amendments would require a quantitative disclosure of an entity's available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response 4: We do not foresee any significant operational concerns or constraints in complying with this requirement, but we do believe the information is redundant with other disclosure requirements. We also believe, if this table is required, it should only be required for insurance companies when circumstances dictate the information is vital to understanding the health of the entity. Users indicated that this was when the information was most important,⁴ and insurance companies already provide thorough information about their financial assets including information about restrictions and availability.

Question 5: For depository institutions, the proposed Update would require a time deposit table that includes the issuances and acquisitions of brokered deposits during the previous four fiscal quarters. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response 5: We are not a depository institution, so we have not provided a response for this question.

Question 6: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity's exposure to liquidity risk? If not, what other information would better achieve this objective?

Response 6: We do not believe that, when compared to the information already required to be disclosed, the proposed amendments provide incrementally valuable information to understand an insurance company's exposure to liquidity risk.

➤ *Liquidity Gap Maturity Analysis Table*

We believe entities that provide insurance but do not earn as a primary source of income the spread should not be required to disclose the Liquidity Gap Maturity Analysis table.

Sources of Liquidity Risk: As discussed in the cover letter, insurance company liquidity needs are generally met through operating cash flow. As a result, liquidity has not been a significant concern of users of insurance company financial statements. In past times of substantial stress, users of our financial statements have focused much more on capital adequacy than on liquidity.

An insurance company's primary source of liquidity risk arises from the uncertainty contained in the measurement of their liabilities. Insurance reserves inherently have significant uncertainty related to both amount and timing. An insurance company's reported reserves represent their best estimate of what the ultimate settlement and administration of claims will cost based on their assessment of facts and circumstances known. Insurance companies are subject to the uncertain effects of emerging or potential claims and coverage issues that arise as industry practices and legal, judicial, social and other environmental conditions change. Additionally, catastrophe losses are an inevitable part of our business, and these losses are unpredictable and could result in a material loss. These issues have had, and may continue to have, a negative effect on business by either extending coverage beyond the original underwriting intent or by increasing the number or size of claims.⁵ We believe these risks are already adequately disclosed in the existing footnote and MD&A requirements.

⁴ Basis for Conclusion paragraph 13

⁵ CNA 2011 10-K, MD&A, Reserves-Estimates and Uncertainties

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Insurance Liabilities: As noted previously, insurance contracts generally do not have a contractual payment stream, but the guidance for this table focuses on contractual terms. We believe an appropriate presentation of our reserves in a liquidity disclosure would be based on management's best estimate of the nominal amount and timing of the ultimate settlement and this information is already presented in our MD&A.

Varying and Highly Subjective Assumptions: In order to present information in the Liquidity Gap Maturity Analysis table that would be useful to the users of the financial statements, an entity will be required to make significant assumptions in regards to the underlying information. For example, in order to determine the expected maturities of an entity's financial assets and liabilities, an entity will be required to make estimates regarding the prepayment of loans and the payment pattern of insurance reserves. Even though management may use the best information available, the information will still be based on subjective information. Additionally, even though the proposed disclosure asks for a description of the basis and assumptions used, this does not necessarily give a financial statement user insight into how changes in the basis of those assumptions would impact an entity's liquidity. Including information based on such significant assumptions in the footnotes to the financial statements would: (1) provide a deficient explanation to understanding the interrelationships of risks⁶, (2) lack comparability across financial statement preparers⁷, and (3) introduce auditability concerns.

➤ *Available Liquid Funds Table*

We understand financial statement users indicated that information they need to track and analyze an entity's available liquid funds is often difficult to obtain because it is not provided consistently across entities⁸. For insurance companies, we believe the existing investment, fair value and MD&A disclosure requirements provide adequate and comparable information for users to be able to track and analyze entities available liquid funds.

If it is determined that insurance companies will be required to disclose the Available Liquid Funds table, the table should only be required for insurance companies when circumstances dictate the information is vital to understanding the health of the entity. Users indicated that this was when the information was most important,⁹ and insurance companies already provide thorough information about their financial assets including information about restrictions and availability.

We understand the intent of the Available Liquid Funds table is to provide users with information about the liquid funds available to an entity, which involves understanding restrictions on the available funds of the entity.¹⁰ We agree with the intent of the table, but disagree that high-quality liquid assets is an appropriate definition for available assets. We believe non-investment grade debt investments are often highly liquid, readily available, and should be included within the table when they are measured using Level 1 or Level 2 of the fair value hierarchy. We believe high-quality should be removed as a characteristic required for an entity to disclose an investment in their available liquid funds table.

(Questions 7 through 12 are questions posed to Users, so we did not answer these questions.)

Questions for Preparers and Auditors—Interest Rate Risk

Question 13: The interest rate risk disclosures in this proposed Update would require a re-pricing gap table. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response 13: We believe the Repricing Gap table is operationally feasible, but examples with numerical information would be helpful in applying this guidance. We have concerns, however, regarding the time, complexity, and cost that would be required to comply with parts of the table. We also do not believe this information will be useful for insurance company financial statement users and do not believe this table should be included within the financial statement notes. While we do face interest rate risk, interest rate repricing risk is not significant for us, see further discussion below. Please also see our response to Question 15 where we note our concerns regarding this table.

Yield Information: We believe calculating the weighted average yield using the yield of each component of each line item would be operationally complex, time consuming, and costly. The alternative would be to calculate a high level

⁶ Basis for Conclusion paragraph 6e

⁷ Basis for Conclusion paragraph 6a

⁸ Basis for Conclusion paragraph 13

⁹ Basis for Conclusion paragraph 13

¹⁰ Basis for Conclusion paragraph 13

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estimate of the yield earned by each line, which would cause the information to lose its value to financial statement users. We suggest replacing the weighted average yield proposed by the ED, with the range of yields being earned for this table. If we are required to calculate the weighted average yield, we believe it would be more appropriately included in the interest rate sensitivity analysis (please see our response to Question 15).

Additionally, based on the guidance as it is currently written within the ED, we would be required to present the contractual yield alongside the carrying value, which for most of our assets would be fair value. This would not be a fair representation of our investments and the yield we are earning on these assets. Rather we believe disclosing the book yield, which would be updated for revisions to prepayment expectations, alongside expected principal prepayments would be a better representation.

Presentation of Insurance Liabilities: For the majority of our insurance liabilities there is not an interest rate to reset or a contractual maturity date. The majority of our P&C insurance reserves are not discounted, and the majority of our life and P&C insurance contracts do not require interest payments, nor do they have a contractual maturity or repricing date. As it pertains to the majority of our insurance reserves, we would expect to present a zero yield and use the estimated payment pattern to determine the maturity of these liabilities. Presentation of an insurance company's balance sheet in this manner demonstrates assets are earning interest that result in cash flows and claims are not. For products that have interest crediting mechanisms, we agree yield information should be included in this disclosure and should be presented according to the repricing date of each instrument. As noted previously, a significant portion of our insurance reserves are not interest sensitive.

In the Board's deliberations to date related to the Insurance Contracts project, the Board tentatively decided all insurance contract liabilities will be required to be discounted unless the impact of discounting is immaterial. In considering this decision, clarification on whether the Board will expect to see the rate used to discount these liabilities in this table would be helpful. As the guidance in the ED is currently written, as noted above, we do not intend to reflect discount rates in this table and expect to present a zero yield for most of our insurance reserves.

Question 14: The interest rate risk disclosures in this proposed Update would include a sensitivity analysis of net income and shareholders' equity. Do you foresee any significant operational concerns or constraints in determining the effect of changes in interest rates on net income and shareholders' equity? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response 14: We do not foresee any significant operational concerns or constraints in complying with this requirement. We do have concerns regarding the usefulness of the information for financial statement users due to the subjectivity that will be required to present this information. Please see Response 15 for further information.

Question 15: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to understand your entity's exposure to interest rate risk? If not, what other information would better achieve this objective?

Response 15: We do not believe that, when compared to the information already required to be disclosed, the proposed amendments provide incrementally valuable information to insurance company financial statement users to understand an insurance company's exposure to interest rate risk. Because of this, we believe entities that provide insurance but do not earn as a primary source of income the spread should not be required to disclose the repricing gap or interest rate sensitivity tables.

Critical Risks Fundamental to Business Model: The Basis for Conclusion, paragraph 44, clarifies that in general financial institutions face some critical risks that are fundamental to their business model. These risks include basis risk, gap risk, yield curve risk, and option risk and that the purpose of the interest rate risk tables are to provide users with incrementally meaningful information to allow them to assess these risks. Insurance companies that do not earn as a primary source of income the spread do not face the critical risks that the Basis for Conclusion states are fundamental to financial institutions business models and therefore should be excluded from having to disclose the interest rate risk tables.

- Basis risk is not relevant to insurance companies, as they do not manage the matching of their assets and liabilities to hedge interest rate repricing risk.
- Gap risk is not as significant to insurance companies as it is to other financial institutions because insurance companies do not earn, as a primary source of income, income on the spread.
- Yield curve risk is not as significant to insurance companies as it is to other financial institutions because insurance companies do not earn, as a primary source of income, income on the spread.
- Option risk is not a significant concern to insurance companies because most of an insurer's financial assets and liabilities do not contain options that are influenced by changing interest rates.

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➤ *Repricing Gap Table*

It is our understanding that the purpose of the Repricing Gap table is to address matched funding, potential interest rate mismatches, and repricing risk. An insurance company's financial liabilities generally do not contractually accrue interest, therefore the table's purpose does not address relevant risks for insurance companies and the information would not be relevant for users of an insurance company's financial statements. P&C and life insurers match assets and liabilities to different extents, but except for insurance companies that offer products that primarily earn as a source of income the spread, neither generally matches assets and liabilities in order to mitigate interest rate repricing risk. To the extent an entity's primary source of income is not the spread, but the entity does face significant interest rate mismatches or repricing risk, we believe management has a responsibility to provide information related to these risks.

➤ *Interest Rate Sensitivity Table*

Changes in market interest rates are interrelated with other factors impacting cash flows, such as, prepayment and default rates. As the guidance in the ED is currently written, preparers are not allowed to take these factors into consideration in disclosing the information in this table. By not including the impacts of the prepayment and default rates in this disclosure, the information could mislead users of the financial statements.

Estimated Increase/(Decrease) to Net Income: We understand the objective of the Interest Rate Sensitivity table is to show the hypothetical prospective effects of an interest rate shift on the static balance sheet and on net income for the next 12 months. The ED specifically prohibits the incorporation of forward-looking expectations in computing the effect on net income.¹¹ As such, the impact to net income caused by interest rate changes would only be significant for financial assets and liabilities measured at FVNI or those that have variable contractual interest rates. For insurance companies, these items would typically not be material, as a significant portion of an insurance company's financial instruments are typically measured at FVOCI. If insurance companies are required to disclose the impact to net income, we believe the information disclosed would not provide users with sufficient information to understand an insurance company's exposure to interest rate risk. The reinvestment of interest earned and proceeds received from sales considerably affects an insurance company's exposure to interest rate risk. To exclude expectations about reinvestment would not provide a complete picture of an insurer's exposure to interest rate risk. If such expectations are taken into account in providing this information, significant judgment will be required on the part of management, and as a result if this information is required to be provided by insurance companies, it would be more appropriately included in the MD&A rather than the footnotes to the financial statements.

Additionally, since our P&C insurance reserves and a significant portion of our life insurance reserves are not interest sensitive, the only impact to net income for hypothetical shifts to interest rates would be the limited impact from financial assets noted above.

Estimated Increase/(Decrease) in Shareholders' Equity: We have concerns regarding the level of subjectivity that would be required to show meaningful hypothetical prospective effects of an interest rate shift on shareholders' equity. Shifts in interest rates could cause changes in key valuation parameters such as prepayment patterns, rate volatility, spreads and probability of calls. A subjective analysis of how interest rate changes impact each of these parameters will be required to accurately estimate the change in fair value on financial assets and liabilities. The information that would be calculated to show the change in shareholders' equity would be the output of this subjective analysis and would not tie back to the information reported in the financial statements. As such, we believe this information would be most appropriately included in the MD&A, not the financial statement footnotes. We believe the judgment required to calculate a change in shareholders' equity would be based on such significant assumptions that it would: (1) provide a deficient explanation to understanding the interrelationships of risks¹², (2) lack comparability across financial statement preparers¹³, and (3) introduce auditability concerns. The information a user would need to understand the impact of fluctuations in market interest rates on fair value of financial assets is already largely required and disclosed within the MD&A.¹⁴

Additionally, similar to our comment above related to net income, since our P&C insurance reserves and a significant portion of our life insurance reserves are not interest sensitive¹⁵, the only impact to shareholders' equity we would show in this table for hypothetical shifts to interest rates would be the impact from financial assets.

¹¹ ASC 825-10-50-23AF

¹² Basis for Conclusion paragraph 6e

¹³ Basis for Conclusion paragraph 6a

¹⁴ SEC Regulation S-K Item 305 (a) (ii)

¹⁵ We acknowledge that in some situations life insurer reserves may be impacted by the effect of premium deficiencies and shadow adjustments.

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If it is determined that insurance companies will be required to disclose this information, we recommend: 1) duration be included in the Interest Rate Sensitivity table rather than the Repricing Gap table, 2) convexity and the weighted average yield be disclosed in this table, and 3) the information only be required to be disclosed annually unless there are significant changes since year end. The primary inputs in determining impacts to shareholders' equity for changes in interest rates are convexity and duration which are most significantly affected by yield assumptions. We believe duration and convexity information would be most useful if presented side by side in the Interest Rate Sensitivity table along with the weighted average yield.

Questions for All Respondents

Question 20: The amendments in this proposed Update would apply to all entities. Are there any entities, such as nonpublic entities, that should not be within the scope of this proposed Update? If yes, please identify the entities and explain why.

Response 20: As discussed in our cover letter and in response to Questions 3, 6, and 15, we believe the term financial institution should only refer to entities for which the primary business activity is to "earn, as a primary source of income, the difference between interest income generated by earning assets and interest paid on borrowed funds".

Question 21: Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why? Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.

Response 21: We believe the proposed disclosures should be effective no earlier than for annual financial statements periods ending on or after December 31, 2013. We believe requiring the disclosures for the 2012 annual financial statements or for the interim financial statements of 2013 would not provide preparers with adequate time to implement the proposed disclosures.

Due to the work being done on the Financial Instruments and Insurance Contracts projects, and how it may affect comparability of the proposed disclosures before and after the projects' effective dates, we believe delaying the effective date of this ED to correspond with the effective dates of those projects would be appropriate to the extent it continues to apply to insurance companies.

Question 22: Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC's current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

Response 22:

Liquidity Gap Maturity Analysis Table: We believe the requirement to show the maturity analysis of financial liabilities overlaps with SEC Regulation S-K Item 303 (5) *Tabular disclosure of contractual obligations*. The current SEC requirements do not require a maturity analysis of financial assets as the ED does. We believe this is appropriate given the liquid nature of insurance companies' financial assets and given the current fair value and investment disclosure requirements. We do not believe the incrementally new information required to be disclosed by the ED would outweigh the cost of providing the information.

Interest Rate Sensitivity Table: We believe the requirement to show the changes in shareholders' equity as a result of interest rate changes overlaps with SEC Regulation S-K Item 305 (a) (ii). We understand that the Board acknowledges this overlap for certain entities and that they believe the benefits of standardization and consistency outweighed the overlap. As we discussed above, the table does not capture information about an insurance company's interest rate risks. As a result, the proposed disclosures would not provide the incrementally valuable information to users of an insurance company's financial statements that these disclosures would provide to the users of the financial statements of other financial institutions. For insurance company financial statement users, we do not believe the benefits outweigh the costs.