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February 29, 2016

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

Re: File Reference No. 2015-350

Dear Ms. Cospers,

CNA Financial Corporation (referred to in this letter as CNA, the Company, we, our, and us) appreciates the opportunity to comment on the proposed Accounting Standards Update (ASU), *Fair Value Measurement (Topic 820)*. CNA is the country's eighth largest commercial insurance writer and the 14<sup>th</sup> largest property and casualty company. CNA's insurance products include standard commercial lines, specialty lines, surety, marine and other property and casualty coverages. CNA's services include risk management, information services, underwriting, risk control and claims administration.

At December 31, 2015, CNA's investment portfolio totaled \$45 billion, including \$41.5 billion of assets measured at fair value on a recurring basis. Our investment portfolio primarily consists of fixed-maturity debt securities classified as available for sale (AFS) and measured at fair value, with changes in fair value recognized in other comprehensive income (OCI).

CNA recognizes the value of the Financial Accounting Standards Board's (FASB) overall focus on Disclosure Review and understands the Board's intention and desire to improve disclosures within the notes to financial statements. Of particular importance is the Board's project on Assessing Whether Disclosures Are Material, which we believe reinforces the discretion that companies should exercise when considering the appropriateness of disclosures based on their specific facts and circumstances.

Overall, we are in general agreement with the proposed changes to fair value disclosures. We agree with the proposed elimination of certain current disclosures and we support the clarification of the measurement uncertainty disclosure. Regarding the proposed additional disclosures, we identified the following concerns and proposed refinements to the guidance:

### Unrealized gains and losses included in earnings and OCI for Level 1 and Level 2 securities

CNA acknowledges the importance of providing a reconciliation from the opening balances to the closing balances of fair value measurements categorized as Level 3 due to the significant level of unobservable inputs in Level 3 instruments. This disclosure allows financial statement users to better understand fluctuations within instruments with less transparent valuations as well as to gain insight into management's estimates, especially across different economic cycles. To this point, the Board, in Basis for Conclusion #98 in FAS 157 noted that "the expanded disclosures would allow users of financial statements to make more informed judgments and segregate the effects of fair value measurements that are inherently subjective," with respect to a Level 3 reconciliation for recurring fair value measurements. We agree with the original basis for conclusion and note that securities held within Level 1 and Level 2 of the fair value hierarchy lack the "inherently subjective" nature described above because they are based on quoted market prices and other observable market inputs. Accordingly, the only variability in measurement will be driven by changes in capital markets, which we believe a reasonable financial statement user will understand.

In the Basis for Conclusions of the proposed ASU, the Board concludes that Level 1 and Level 2 securities are based upon observable prices and that including a roll forward would not provide decision useful information. In addition, the proposed ASU eliminates the disclosure of transfers between Level 1 and 2. In light of that, we question the usefulness to financial statement users of the proposed amendment to disclose changes in unrealized gains and losses included in earnings and OCI for Level 1 and Level 2 securities. We don't believe that this additional disclosure would provide meaningful insight into the information already presented in the Statement of Comprehensive Income. In addition, the proposed disclosure may create confusion for readers as they will be unable to reconcile these movements to the financial statements due to other potential adjustments within other comprehensive income, including shadow adjustments recorded in accordance with ASC Topic 320-10-S99-2 (formerly EITF Topic D-41).

### Time period used to develop significant unobservable inputs

We recognize that the Board's intention is to allow financial statement users to understand when historical information is used by companies as an input into their Level 3 valuation process. However, we need further clarification on the time period element of the proposed disclosure and how it applies to all Level 3 securities. Given that the valuation of assets and liabilities is as of the balance sheet date, we question the usefulness of adding the timing of significant unobservable inputs. In our case the vast majority of unobservable inputs are very recent. In most instances, inputs based on historical information are subjectively updated based on current relevant information. We are uncertain how this would be approached in the proposed disclosure.

Further, we question the overall usefulness of these Level 3 disclosures in our financial statements on the basis of materiality. From December 31, 2010 to December 31, 2015, the value of CNA's Level 3 financial instruments decreased from \$2.3 billion to \$473 million, respectively, due to the increased availability of market observable information. Therefore, these disclosures have diminishing relevance to our financial statements. As such, CNA encourages the Board to reinforce and allow the use of discretion by management to disclose the information that provides the most insight and value to financial statement users.

International Financial Reporting Standards (IFRS) Considerations

As a company with international subsidiaries, CNA does not support further divergence from IFRS on fair value disclosures. As ASU 2011-04 substantially aligned Fair Value Measurement and Disclosures for GAAP and IFRS, we would consider divergence in fair value disclosures a regressive step that is not justifiable. We encourage the FASB to consider this project with the objective of convergence in mind.

The remainder of this letter addresses the questions 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,



Lawrence J. Boysen

**Questions for respondents:**

**Question 1:** Would the proposed amendments result in more effective, decision-useful information about fair value measurements? If not, please explain why. Would the proposed amendments result in the elimination of decision-useful information about fair value measurements? If yes, please explain why.

**Response 1:** As discussed above, we challenge the value of the proposed additional disclosures relating to significant unobservable inputs and unrealized gains and losses on Level 1 and 2 securities. We believe that sufficient detail is currently contained within our financial statements to allow users to assess the fair value methods used by CNA; including Level 3 categorized assets and liabilities. We do not believe that the proposed ASU eliminates any decision-useful information.

**Question 2:** Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

**Response 2:** While we do expect there will be additional effort and an incremental cost to create the proposed disclosures, CNA does not foresee a significant issue with the on-going operability or auditability of the proposed disclosures.

**Question 3:** Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

**Response 3:** We believe we will incur incremental costs to prepare the additional disclosures, however we do not expect this incremental cost to be significant.

**Question 4A:** The proposed amendments would apply to all entities, except for certain requirements in paragraph 820-10-50-2(bbb) through (d), for which private companies would be exempt. Do you agree with the exemption for private companies? If not, please describe why and which disclosures should be required for private companies.

**Response 4A:** As we have indicated above, we do not believe that the additional requirement to disclose the provisions in paragraph 810-10-50-2(d) for Level 1 and Level 2 securities provides useful information. Accordingly, we do not support this disclosure for non-public entities, including employee benefit plans.

**Question 4B:** Should entities other than public business entities (for example, employee benefit plans and not-for-profit organizations) also be exempt from the proposed amendments mentioned in Question 4A? If yes, please describe why and which disclosures they should be exempt from.

**Response 4B:** All of our concerns noted above regarding additional disclosures over Level 1 and Level 2 securities should be applied to benefit plan disclosures, too. While operationally the amendments could be added to benefit plan financial statements, CNA does not believe that including the disclosures would be valuable for benefit plans. Including changes in unrealized gains and losses on all securities for benefit plans is not as relevant to users given the long term objectives of an employee benefit plan. We do not believe that explicit disclosure of movements within unrealized gains and losses included within net assets is useful given the overall focus on total net assets within a given plan. Therefore, consistent with our opinion regarding public business entities, we suggest that other entities are exempt from the amendments in Question 4A.

**Question 5:** The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the weighted average of significant unobservable inputs used in Level 3 fair value measurements.

Are there classes of financial instruments for which this disclosure is inoperable or does not provide meaningful information? If yes, please describe those classes of financial instruments and explain why.

**Response 5:** As discussed above, CNA challenges the usefulness of significant unobservable inputs disclosures at large. Specifically CNA foresees issues with disclosing the weighted average and range for certain asset classes as they do not currently provide meaningful information. For example, default rates can have wide dispersion due to defaults and equity private offering prices can have wide dispersion and are not meaningful in isolation. These issues could lead to a range that is wide and a skewed weighted average which would not provide financial statement users with valuable insight into the inputs for the overall Level 3 category.

**Question 6:** The proposed amendments to paragraph 820-10-50-2(bbb) require that a reporting entity disclose the time period used to develop significant unobservable inputs. What would be the costs associated with including this disclosure? Would this disclosure provide more effective, decision-useful information?

**Response 6:** As discussed above, we do not believe that this disclosure would provide more effective, decision-useful information regarding our investment portfolio.

**Question 7:** Are there any other disclosures that should be required by Topic 820 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

**Response 7:** We do not believe there are other disclosure requirements that should be included within Topic 820.

**Question 8:** Are there any other disclosure requirements retained following the review of Topic 820 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

To see how the Board applied the decision questions from the proposed Concepts Statement to Topic 820, see *Decision Questions Considered in Establishing Disclosure Requirements*.

**Response 8:** We do not believe there are other disclosure requirements that should be removed other than those discussed above. Overall, CNA supports the use of judgment and materiality with respect to disclosures on significant unobservable inputs, which will improve disclosure effectiveness by allowing an entity to disclose the most relevant information based on the entity's specific facts and circumstances.

**Question 9:** How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by non-public business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If yes to either question, please explain why.

**Response 9:** We believe that most of the additional information required to be disclosed is readily available, and thus from the date of issuance of a final standard, we would not need a significant period of time to implement. Further, we support permitting early adoption of the standard.