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2600 South River Road, Des Plaines, IL 60018-3286



American Insurance Association

October 23, 2008

The Honorable Christopher Cox
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Fair Value FAS 157 Clarification

Dear Chairman Cox:

Our business organizations represent companies and firms from all sectors of the economy and areas of the financial services arena. The recent joint Securities and Exchange Commission (“SEC”) and Financial Accounting Standards Board (“FASB”) clarification of fair value repeatedly uses the term judgment, while the term is almost absent in the FASB guidance. These different tones further cloud fair value accounting during the current crisis. Therefore, we are requesting that the SEC issue elaboration on the use of judgment in fair value accounting.

On September 30, 2008, the Chief Accountant of the SEC, in conjunction with FASB staff, issued a joint press release with clarification, on valuing assets in an inactive market under FAS 157. The SEC joint press release makes frequent mention of the use of judgment in quantifying fair value, determining if a transaction is forced, and deciding if a market is active or not. The joint press release goes on to

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state that “because fair value measurements and the assessment of impairment may require significant judgments, clear and transparent disclosures are critical to providing investors with an understanding of the judgments made by management.”

FASB issued proposed guidance (“FASB guidance”) on October 3, 2008, which was formally approved on October 10th. The FASB guidance provided an illustrative example on how FAS 157 should be used in an inactive market. However, the FASB guidance makes almost no mention of judgment at all. Many commenters to the FASB guidance raised this point and requested an elaboration on judgment and how it could be used. Suggested changes on this topic ranged from the incorporation of the joint press release directly into the FASB guidance, to the request for a specific listing of factors in determining liquidity risk, to the inclusion of a statement on the use of judgment in selecting an appropriate range of values, rather than arbitrarily selecting an extreme or midpoint valuation.¹

This dichotomy on judgment between the joint press release and the FASB guidance has the potential to cloud transparency at the very moment it is most needed. We do not believe that management, preparers, auditors and investors understand what is expected of them, or whether and how the needed judgments can be exercised. Let us state that we believe that judgment is needed to provide the fairest and most accurate disclosures possible in inactive markets. We are not asking that unrealistic data be used, rather that fair value, under these stressful conditions, be fair.

As the ultimate arbiter, for publicly held companies, of accounting standards in the United States, we would respectfully request that the SEC formally elaborate on the use of judgment in the application of FAS 157. This elaboration, by the SEC, should include principles-based guidance for the transparent disclosures needed by investors when judgment is exercised. The elaboration will provide the clarity needed by management to appropriately value assets in inactive markets, and give investors the transparent information needed to make informed decisions.

¹ The examples cited are taken from comment letters to FAS 157-3 and used for illustrative purposes only. Many commenters urged a clarification of the use of judgment; some expressed specific examples, others did not.

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Thank you for your consideration in this matter.

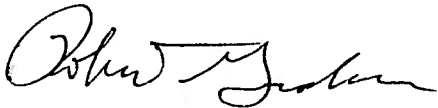
Sincerely,



Richard Murray
Chairman
U.S. Chamber of Commerce
Center for Capital Markets
Competitiveness



Steve Bartlett
President and CEO
Financial Services Roundtable



Robert Gordon
Senior Vice President
Property Casual Insurers
Association of America



Michael Monahan
Director, Accounting Policy
American Council of Life Insurers



John A. Courson
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Phillip L. Carson
Assistant General Counsel
American Insurance Association

cc: The Honorable Luis Aguilar, Commissioner, U.S. Securities and Exchange
Commission
The Honorable Kathleen Casey, Commissioner, U.S. Securities and Exchange
Commission
The Honorable Troy Paredes, Commissioner, U.S. Securities and Exchange
Commission
The Honorable Elise Walter, Commissioner, U.S. Securities and Exchange
Commission
Robert Herz, Chairman, Financial Accounting Standards Board
Board of Directors, Financial Accounting Standards Board