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July 21, 2016

**Lawrence J. Boysen**  
*Senior Vice President and  
Corporate Controller*  
Telephone [REDACTED]  
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Mr. Brent J. Fields  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: File No. S7-06-16, Release Nos. 33-10064, 34-77599 Business and Financial Disclosure  
Required by Regulation S-K

Dear Mr. Fields,

CNA Financial Corporation (referred to in this letter as CNA, we, our, and us) appreciates the opportunity to comment on the Securities and Exchange Commission's (the "Commission") Concept Release on Business and Financial Disclosure Required by Regulation S-K (File No. S7-06-16, Release Nos. 33-10064, 34-77599) (the "Concept Release").

CNA is the country's eighth largest commercial insurance writer and the 14<sup>th</sup> largest property and casualty insurer. We are submitting this comment letter to express our view that the industry guide for Disclosures Concerning Unpaid Claims and Claim Adjustment Expenses of Property-Casualty Insurance Underwriters is no longer necessary as similar disclosures have now been codified in the accounting principles generally accepted in the United States of America (GAAP). We also are submitting our comment in relation to the preferability letter required in conjunction with a voluntary change in generally accepted accounting principles.

#### Industry Guides

The Commission is seeking comment on whether the Industry Guides continue to provide the same benefits as originally intended. The Commission poses two questions in the Concept Release that we would like to address:

Question 209 "Should some or all of the Industry Guides be updated? If so, which ones?" and Question 206 "Do registrants find the Industry Guides useful in preparing disclosure for periodic reports?"

As mentioned in the Concept Release, the industry guides were initially introduced to provide non-authoritative guidance in the interim between the introduction of a new registration statement and the effective date of said statement. In order to reduce the necessity for staff comment letters regarding certain disclosures, the industry guides were later expanded to provide uniformity and enhance comparability of industry disclosures. While the industry guides are listed within Items 801 and 802 of Regulation S-K, they are not part of Regulation S-K and are not prescribed rules or regulations of the Commission.



Industry Guide 6, Disclosures Concerning Unpaid Claims and Claim Adjustment Expenses of Property Casualty Insurance Underwriters, provides recommended disclosures for businesses with property-casualty reserves representing more than half of their stockholders' equity. We note that the disclosures most significantly relate to the following items: (1) reconciliation of claim reserves; (2) loss reserve development, and (3) the amount of discount included in GAAP reserves; as well as setting forth matters to be discussed in the description of the business.

The majority of the disclosures set forth by Industry Guide 6 have been codified and enhanced within U.S. GAAP as a result of the recent issuance of ASU 2015-09, Insurance (Topic 944): *Disclosures about Short-Duration Insurance Contracts* (ASU 2015-09). The disclosures set forth by ASU 2015-09 include a requirement to provide a reconciliation of claim reserves, loss reserve development, and the effects of discounting on reserves. The guidance in ASU 2015-09 requires loss development tables disaggregated at a level that does not obscure useful information to a user. The loss development tables must be compiled on an accident year basis which, during redeliberations of ASU 2015-09 and in the basis for conclusions of the standard, the FASB noted would be more useful than presenting a consolidated calendar year view. We believe the new loss development tables required under ASU 2015-09 provide an expanded level of detail and usefulness as compared to the loss development table recommend by Industry Guide 6. ASU 2015-09 also requires disclosures about loss reserving methodologies used, which are significant discussion items included within Industry Guide 6. Since estimating insurance reserves requires significant management judgment, we note that reserving methodology disclosures are required by the Commission in conjunction with disclosures for Critical Accounting Estimates.

The loss reserve development disclosures presented in accordance with Industry Guide 6 are on a calendar year basis. As previously mentioned, ASU 2015-09 specifically requires that companies prepare the loss reserve development tables on an accident year basis. Presenting loss development tables under two methods will result in disclosures that are not comparable and thus may cause a user of the financial statements more difficulty in understanding the development of loss reserves over time. We also understand that many analysts and other financial statement users manipulate the data contained in the Industry Guide 6 disclosure to get an accident year view of the information.

Accordingly, it is our view that the Industry Guide 6 disclosures will be obsolete beginning with the 2016 10-K for most property casualty insurers. The level of detail required by ASU 2015-09 will be more granular than the current Industry Guide 6 disclosures and thus more useful to financial statement users. Further, the presentation of information on two different bases will not provide additional information to a user, but rather has the potential to cause a significant amount of confusion.

Note that ASU 2015-09 is effective for annual periods beginning after December 15, 2015 and thus will be required to be included within the 2016 Form 10-K for calendar year-end reporting entities.

As noted earlier, the original intention of the industry guide was to address anticipated disclosure issues in the event that a specific disclosure may not be required under U.S. GAAP or elsewhere in Commission's regulations. We believe that the issues included within Industry Guide 6 have now been fully addressed by the issuance of ASU 2015-09. We note that one of the objectives of the integrated disclosure system and of the Concept Release is to remove duplicative disclosures.



In summary, our position is that the Commission should eliminate Industry Guide 6.

Preferability Letter (Item 601(b)(18))

In the Concept Release, the Commission poses Question 255 “Should we eliminate Item 601(b)(18) in light of the current requirements under U.S. GAAP and the PCAOB’s auditing standards? When a change in accounting principle is material, is an auditor’s report without a qualified or adverse opinion sufficient to convey the independent accountant’s conclusion that the registrant has justified the change to be preferable? Would eliminating the exhibit requirement affect the independent accountant’s analysis of whether an accounting change is preferable?”

As stated in the Concept Release, ASC 250, *Accounting Changes and Error Corrections*, within U.S. GAAP, allows management to change an accounting principle only if it is required by a newly issued Codification update or if it can justify that the change in accounting principle is preferable. In these instances, the entity is required to disclose why a newly adopted accounting principle is preferable, thereby providing management’s rationale to financial statement users. Auditing Standard No. 6, *Evaluating Consistency of the Financial Statements* (AS No. 6), requires an auditor to evaluate if management has justified that the alternative accounting principle is preferable. In addition, material changes in accounting principle are to be recognized in the auditor’s report on the audited financial statements. While there is no requirement to explicitly opine within the auditor’s report on the preferability of the accounting change, if an auditor deems this criteria has not been met, under AU 508, *Reports on Audited Financial Statements*, the auditor would issue a qualified or adverse opinion if the change is material to the financial statements.

We believe there is a financial statement user’s presumption that if a clean opinion is issued, the auditor has found management’s justification for a change in accounting principle to be adequate in accordance with U.S. GAAP. That is sufficient to convey that the independent accountant deems the change to be preferable. We also do not believe that eliminating this exhibit requirement would affect the independent accountant’s analysis of the accounting change.

While we acknowledge that outside of the preferability letter, the requirement for an independent accountant to assess a change in accounting principle is in relation to the audit report over the audited annual financial statements, any change made during an interim period would be disclosed within the entity’s interim financial statements and thus included within the scope an independent accountant’s review procedures. In that circumstance, our experience is that the independent accountant assesses the accounting treatment (and thus the preferability) during the interim period and communicates their view to management and the Audit Committee at that time.

We believe the creation and inclusion of the preferability letter results in undue costs to the preparer and does not provide additional information to a user that would impact their assessment of whether an accounting change is preferable. Based on the discussion above, we believe that the exhibit requiring a preferability letter should be eliminated.

CNA appreciates the opportunity to comment on the Concept Release, as well as the Commission’s commitment to increasing disclosure effectiveness.

If you have any questions, please feel free to call me at (██████████).



Sincerely,

A handwritten signature in blue ink that reads 'Lawrence J. Boysen'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Lawrence J. Boysen