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Sent: Tue, 4 Sep 2007 10:06 pm  
Subject: GNAIE Comment on Accounting for Contingencies

September 4, 2007

Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Re: September 5, 2007 Scheduled Agenda Topic: Accounting for Contingencies

Dear Technical Director;

In reviewing the agenda for the Financial Accounting Standards Board's ("FASB") September 5, 2007 meeting, the Group of North American Insurance Enterprises ("GNAIE") noted the plan to discuss the Accounting for Contingencies. GNAIE, as well as a number of its individual member companies have contributed to the general discussions around this topic as they emerged in connection with the FASB/IASB Joint Project on Business Combinations as well as the International Accounting Standards Board's ("IASB") Provisions, Contingent Liabilities and Contingent Assets project.

Through our involvement in the above referenced discussions we observed significant differences between the information desired by financial statement users (which is typically fair value based estimates) and the ability of financial statement preparers to fulfill those desires with reliable (i.e. representationally faithful) information.

In general, the recognition and measurement of contingencies, especially those that are non-contractual in nature, are some of the most difficult assets and liabilities to reliably measure due to the inherent uniqueness of individual contingencies together with the inherent uncertainty around the contingency. As a result, while the notion of developing complex estimation models is conceptually appealing, the ability of those models to produce reliable, relevant, understandable, and decision-useful measurements is entirely dependent on financial statement preparers' ability to obtain or

produce the necessary model input assumptions, which, depending on the model and the nature of the individual contingency may either not be possible to obtain or may not be reliable.

We believe many of the issues the Board would encounter in project focused on Accounting for Contingencies are similar to those that have arisen in the IASB's Phase II Insurance Contracts project, wherein GNAIE has been very intimately involved. Accordingly, as the Board embarks on this agenda topic, we pledge our support and assistance to the Board both as an advisor and technical resource.

Respectfully submitted,

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