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September 27, 2001

Mr. Timothy S. Lucas  
Director of Research and Technical Activities  
Financial Accounting Standards Board  
401 Merritt 7  
Norwalk, Connecticut 06856-5116

Dear Mr. Lucas,

Thank you for the opportunity to provide comments on the Board's proposal for a new agenda project on "Reporting Certain Information About Internally Developed Intangible Assets" (hereinafter Project Proposal). Following is a response by The Allstate Corporation (hereinafter Company) to the specific questions posed by the Board.

**Question**

Is there a need for the FASB or others to comprehensively address the reporting of information about intangibles of a business enterprise? If yes, should the FASB take on such an effort or defer to others? If so, to whom?

**Response**

No, we do not believe there is a need to more comprehensively address the reporting of information about intangibles of a business enterprise. More specifically, we believe the disclosure requirements of both FASB Statement No. 141, *Business Combinations*, and FASB Statement No. 142, *Goodwill and Other Intangibles*, adequately addresses the reporting of information about intangibles that are acquired individually or as part of a material business combination. The Company strongly believes the reporting of information about the intangible assets of a business enterprise should be limited to those intangibles that are recognizable in accordance with existing generally accepted accounting principles (GAAP).

In theory, providing additional information about unrecognized intangible assets would appear beneficial inasmuch as it would allow reporting enterprises to provide a more complete picture to shareholders and other financial statement users of the enterprises' key value drivers. That said, any attempt to value and report intangible assets that do not meet existing GAAP recognition criteria would likely significantly detract from the usefulness of financial statements through the introduction of a high level of subjectivity into the reporting process and would decrease the general comparability of financial statements (because, in the absence of market transactions, the valuation techniques and disclosed values of unrecognized intangibles will not likely be comparable across reporting entities). In addition, the reported amounts would not satisfy two basic tenets of GAAP since they would be neither objectively measurable/verifiable nor would they be complete (to the extent reporting entities might exclude certain unrecognized intangibles for competitive reasons).

***Question***

Is the proposed scope of such a project as described in this Proposal insufficient, appropriate, or too ambitious? One alternative would be a broader scope that might encompass other constituent recommendations, for example, (a) disclosure about nonfinancial indicators, management's key goals for them, and related risks, strategies, efforts, and accomplishments in meeting its goals or (b) recognition and measurement of certain internally generated intangible assets. Another alternative would be a limited-scope project that focuses solely on, for example, disclosure of expenditures to develop and maintain unrecognized intangible assets or on disclosure of information about research and development activities.

***Response***

The Company believes the proposed scope of the project is both ambitious and unnecessary. Moreover, any requirement to disclose non-financial indicators in an attempt to provide financial statement users with better information about value drivers in the "new economy" would alter the traditional role of financial statements. Stated differently, the traditional role of financial statements has been to report the financial condition and results of operations of business enterprises based on objectively verifiable historical information compiled and presented in a consistent manner. The role of financial statements has never been to explain the difference between the book value and market capitalization of business enterprises. That very subjective task is more appropriately within the purview of equity analysts and other valuation experts. Consistent with the preceding, the Company strongly believes that any attempt to require recognition of internally generated intangible assets would detract from the usefulness of financial statements due to the introduction of a high level of subjectivity and non-comparability into financial statements that currently does not exist.

***Question***

Should specific issues identified above be excluded from the scope of the proposed project on reporting information about intangibles? If yes, for each specific issue, please indicate whether it should be addressed as part of another FASB project, by others, or not at all and why.

***Response***

The Company believes existing GAAP adequately addresses the recognition and disclosure of intangible assets acquired either individually or as part of a business combination. Additionally, with respect to internally generated intangibles; the Company believes that any attempt to value these assets for either disclosure or recognition purposes would detract from the usefulness of financial statements for the reasons previously stated.

***Question***

Should specific issues not identified above be addressed as part of the proposed project on reporting information about intangibles? If yes, please describe the specific issue and indicate why it is sufficiently crucial that it should be addressed as part of the proposed project.

***Response***

The Company does not believe that any issues not specifically addressed in the project proposal should be added to its proposed scope.

We would be pleased to discuss our comments further with the Board or staff.

Very truly yours,

Samuel H. Pilch

Controller of The Allstate Corporation