



Letter of Comment No: 20
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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 Information about the Financial Performance of Business Enterprises" (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 for assessing the financial performance of a business enterprise? If yes, should the FASB take on such an effort or defer to others? If defer to others, to whom?

Response

No, we do not believe there is a need for the FASB to more comprehensively address the reporting of information for assessing the financial performance of business enterprises. In theory, the proposed project on reporting financial information appears useful to the extent it focuses on widely accepted financial measures already in use. That said, it is likely that any resulting guidance would fail to achieve the FASB's basic consistency objective because relevant performance measures differ widely by industry; a situation that will likely persist indefinitely as the business landscape evolves and becomes ever more complex. In light of the preceding, the Company believes that business enterprises should be able to continue their use of alternative and pro forma performance measures to supplement financial information reported in accordance with generally accepted accounting principles (GAAP) in those situations where it believes the use of alternative and pro forma measures will aid shareholders and other stakeholders in their understanding of the operating results of the business enterprise.

Question

Is the proposed scope of such a project as described in this Proposal insufficient, appropriate, or too ambitious? Two somewhat broader alternatives are noted on page 2 of this Proposal.

Response

The Company believes the proposed scope of the project is both ambitious and unnecessary. More specifically, the traditional role of financial reporting has been to present the basic financial statements and notes thereto of a business enterprise prepared in accordance with GAAP, applied on a consistent basis. Because the information required to be reported under GAAP is somewhat general and does not convey the underlying factors influencing the business environment, business enterprises have found it useful to communicate supplemental information to shareholders and other stakeholders to aid their understanding of the periodic operating results of the business enterprise. This supplemental information is generally consistent within specialized industries, and evolves in a manner consistent with the evolution of the underlying business environment. The Company believes that any performance metrics identified by the FASB at the present time could well become obsolete as the business environment evolves and reporting enterprises are required to adopt new metrics to explain their operating results to shareholders and other stakeholders. Accordingly, business enterprises should be allowed to retain the flexibility to communicate their operating results in a manner they believe best explains those results to shareholders and other stakeholders.

Question

Should specific issues identified above be excluded from the scope of the proposed project on reporting financial performance? 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 does not support adding the proposed project to the FASB's agenda. Therefore, we would exclude all of the specific issues identified in the Project Proposal. More specifically, the company believes it is essential that business enterprises, after preparing financial statements in accordance with GAAP, be allowed to retain the flexibility to communicate the results in a manner they believe best explains their operating results to shareholders and other stakeholders. Moreover, any attempt to standardize metrics across industries would likely detract rather than enhance investors' understanding of operating results. The fundamental differences among industries and the rapidly changing business environment within many industries necessitates the use of performance metrics that are allowed to evolve in a manner consistent with the underlying business environment.

Question

Should specific issues not identified above be addressed as part of the proposed project on reporting financial performance? 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

No. The Company does not believe any specific issues not identified above should be addressed as part of the proposed project on reporting financial performance.

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