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September 20, 2010

Mr. Russell G. Golden
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File Reference: 1840-100

Re: Proposed Accounting Standards Update, *Disclosure of Certain Loss Contingencies*

Deloitte & Touche LLP is pleased to comment on the FASB's proposed Accounting Standards Update (ASU) *Disclosure of Certain Loss Contingencies*.

We support the FASB's efforts to enhance the disclosure requirements about loss contingencies and to respond to feedback on the June 2008 proposed Statement of Financial Accounting Standards, *Disclosure of Certain Loss Contingencies* (the "2008 ED"). Although the proposed ASU addresses some of the issues raised by preparers, attorneys, and auditors, we believe that the following issues warrant additional consideration: (1) the operability of disclosing certain remote loss contingencies, (2) the potential that certain disclosures could be prejudicial to the reporting entity, and (3) obtaining a reasonable level of audit assurance for the proposed disclosures. Below we discuss certain pervasive concerns we have about some of the proposed disclosure requirements. In Appendix A, we respond to the specific matters on which comment was requested by the FASB. Appendix B contains our additional comments.

Disclosure of Certain Remote Loss Contingencies

Threshold for Disclosure of Certain Remote Loss Contingencies

While we understand that some type of qualitative disclosure may be warranted about certain remote loss contingencies, we are concerned that the "potential severe impact" standard sets the threshold too low. A very large claim has the *potential* to severely affect an entity even if the likelihood of its doing so is extremely low. Such a low threshold makes even reasonable judgments by management, and the auditor's assessment of these judgments, particularly vulnerable to hindsight challenge. In addition, because the proposed ASU does not contain the "near term" condition that was prescribed in the 2008 ED, entities would need to look indefinitely into the future to assess whether claims will potentially have a severe impact. This requirement could dramatically increase the population of remote loss contingencies that would need to be disclosed, and we are uncertain whether this was the FASB's intent. Unless the FASB makes other changes to raise the disclosure threshold (see recommendation below), we recommend that a final ASU include a condition to limit the disclosure of remote loss contingencies to those that would be resolved in the "near term."

We believe that for the requirement to disclose certain remote loss contingencies to be operational, additional parameters and implementation guidance are needed. As noted in our comment letter on the 2008 ED, the FASB should consider adding criteria that would allow entities to avoid disclosure of loss contingencies when there is no practical likelihood of a loss occurring but when occurrence of the loss could have a severe impact. Such criteria would include whether:

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- Information about the loss contingency is provided internally to key management personnel such as the entity's board of directors or chief executive officer.
- The contingency "is likely to have" a severe impact if it were to occur (rather than the "potential" for a severe impact if it were to occur).

Disclosure of Claim Amount

The asserted claim in remote litigation contingencies is often unrelated to an entity's actual exposure to loss. Disclosure of this information could therefore mislead users. In addition, as noted above, because the proposed threshold for disclosure is low, an entity might also be required to disclose speculative claims, which could result in "copycat" claims filed against that entity.

We recommend that the FASB consider the responses from users about whether disclosure of the claim amount is valuable to their assessment of the nature, potential magnitude, and potential timing of remote loss contingencies.

Loss Contingencies That Arise After the Balance Sheet Date

ASC 450-20-50-9 requires certain disclosures to be made for a loss or loss contingency that arises after the date of an entity's financial statements. These disclosures would include (1) "the nature of the loss or loss contingency" and (2) "an estimate of the amount or range of loss or possible loss or a statement that such an estimate cannot be made and the reasons why the estimate cannot be made." It is not clear whether remote contingencies that arise after the balance sheet date (but before the financial statements are issued or are available to be issued) and that would otherwise meet the threshold for disclosure under ASC 450-20-50-1D would be subject to the disclosures required under ASC 450-20-50-9. The disclosures required under ASC 450-20-50-9 (if applied to remote contingencies) are not consistent with the disclosures required for remote contingencies arising before the date of the entity's financial statements, as outlined in the proposed guidance. Further, it is unclear why the disclosure requirements for events occurring after the balance sheet date would be different from those for events occurring before it. We believe this inconsistency should be addressed.

Prejudicial Exemption

Although the proposed ASU addresses some concerns constituents have expressed about disclosing prejudicial information, the proposed disclosures may still be prejudicial in certain circumstances, including the following:

- When an entity has one (or only a few) claims, the tabular reconciliation may result in the disclosure of prejudicial information because of the entity's inability to aggregate claims. For entities with few claims, disclosing this information could create a minimum level for settlement for the plaintiffs.

While we recognize that the guidance in ASC 450-20-50-1 requires disclosure, in some circumstances, of the amount accrued so that the financial statements will "not be misleading," we believe that a level of detail beyond the amount accrued that the proposed ASU would require in a tabular reconciliation for a single contingency could be prejudicial. At a minimum, it is not clear whether the thresholds for "not be misleading" and "disclosure within the tabular reconciliation" are different.

- With regard to information about possible recoveries from insurance, we recognize that disclosures of *existing claims* might not be prejudicial because such information would have already been available or is otherwise discoverable. However, such disclosures could create

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(1) an opportunity or incentive for future claims by parties that become aware of an entity's access to insurance coverage and (2) the likelihood of an insurance claim being "denied, contested, or reserved" on the basis of existing claims. Such parties might not have filed a claim if they were unaware of such insurance coverage.

- The proposed requirement to provide a qualitative description of the significant activity in the tabular reconciliation may be prejudicial.
- Non-income taxes, such as sales and use and property taxes, would be included in the tabular reconciliations. Such disclosures (depending on the level of aggregation) could give the relevant taxing jurisdictions an advantage in negotiations.
- Under the proposal, an entity would be required to disclose an individually material claim, and aggregation would not be permitted. As noted above, any disclosure of a single loss contingency related to litigation may be prejudicial, such as the requirement to disclose "timing of, or the next steps in the resolution of individually material asserted litigation."

This is not a complete list; the proposed disclosures may prejudice entities in other ways. We encourage the FASB to consider all concerns raised by constituents about the disclosure of prejudicial information and to add a prejudicial exemption to the final ASU. We also anticipate, however, that entities would try to assert this exemption frequently and that auditing such assertions may prove challenging and potentially harmful to an entity's defense because of potential breach of attorney-client privilege. We therefore believe that more guidance is needed on what constitutes "prejudicial" information.

Aggregation

We believe that the principle for aggregation in ASC 450-20-50-1B is not clear and that more implementation guidance is necessary for the aggregation criteria to be operational. ASC 450-20-55-1A through 1D give examples of an inappropriate basis of aggregation, but because entities must apply judgment, inconsistent interpretation could result. In the absence of additional guidance, significant diversity could occur between entities and make information less comparable for users.

We also propose that the FASB revise ASC 450-20-50-1F(d) to state, "When disclosure is provided on an aggregated basis, an entity shall disclose the basis for aggregation." ASC 450-20-50-1F expands upon the additional requirement to disclose information that would enable financial statement users to understand the nature, potential timing, and potential magnitude.

Materiality

The proposed guidance would require additional disclosures of "individually material contingencies," including (1) the anticipated timing and next steps and (2) detailed information to allow users to obtain additional publicly available information. However, it is not clear what is meant by "material" in this context.

We suspect that entities may refer to Item 103 of SEC Regulation S-K, *Legal Proceedings*, which requires disclosures for "material pending legal proceedings, other than ordinary routine litigation incidental to the business," for guidance on assessing whether a contingency is individually material. The instructions to Item 103 state, in part:

No information need be given with respect to any proceeding that involves primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed 10 percent of the current assets of the registrant and its subsidiaries on a consolidated basis. However, if any proceeding

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presents in large degree the same legal and factual issues as other proceedings pending or known to be contemplated, the amount involved in such other proceedings shall be included in computing such percentage.

If the FASB objects to an entity's use of these criteria to identify an "individually material" contingency, then it should provide further implementation guidance on assessing whether a loss contingency is "individually material." For example, it is not clear whether materiality should be assessed in the context of the claim amount, the estimated exposure to loss, the estimated maximum loss within a reasonable range, or some combination of these or other factors.

Further, we believe that an SEC registrant's assessment of materiality of certain loss contingencies in the notes to the financial statements could differ from its assessment outside the financial statements because it would take into account insurance or other indemnification arrangements. Question 3 of SEC Staff Accounting Bulletin (SAB) Topic 5.Y, "Accounting and Disclosure Regarding Discontinued Operations," addresses disclosures of loss contingencies outside the financial statements. The interpretive response states, in part:

In a 1989 interpretive release, the Commission noted that the availability of insurance, indemnification, or contribution may be relevant in determining whether the criteria for disclosure have been met with respect to a contingency. The registrant's assessment in this regard should include consideration of facts such as the periods in which claims for recovery may be realized, the likelihood that the claims may be contested, and the financial condition of third parties from which recover is expected.

In contrast, proposed ASC 450-20-50-IE would not allow an entity to consider the possibility of recoveries from insurance or other indemnification arrangements when assessing the materiality of loss contingencies for disclosure purposes. We believe that the final ASU should address this inconsistency.

Auditing Concerns

To address concerns that auditors have expressed about obtaining a reasonable level of assurance for the proposed disclosures, the FASB did not include in the proposed ASU a number of the disclosure requirements that were in the 2008 ED. However, we remain concerned about an auditor's ability to obtain a reasonable level of assurance for certain disclosures, such as:

- Management and its legal counsel's judgment about whether a remote contingency meets the "potential severe impact" for disclosure.
- Aggregation criteria used by management and the consistency of this assessment between entities.
- Whether disclosures have "become more extensive" as additional information about a potential unfavorable outcome becomes available.
- Whether disclosures of "other nonprivileged information that would be relevant to financial statement users" are sufficient.

One way these concerns could be addressed would be through additional implementation guidance and examples that would, for example, include loss contingencies beyond litigation and illustrate application of the aggregation criteria to a fact pattern.

We believe that in making these assessments, management typically relies on extensive discussion with inside and outside counsel and that such discussion is often subject to attorney-client privilege.

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As noted in our comment letter on the 2008 ED, lawyers' responses to letters of audit inquiry are typically the primary evidence auditors use to corroborate management's assertions associated with these types of contingencies. These communications fall within the scope of the AICPA's and the PCAOB's auditing standards in *Professional Standards*, AU Section 337, "Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments," and the American Bar Association's Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (December 1975) ("ABA Statement of Policy") (see AICPA and PCAOB *Professional Standards*, AU Section 337C). As noted in the ABA Statement of Policy, a "lawyer should not be asked, nor need the lawyer undertake, to furnish information to the auditor concerning loss contingencies except as contemplated by [the ABA Statement of Policy]."

We believe that the current form of lawyers' responses would not provide the auditor with sufficient, appropriate audit evidence to corroborate management's assertions about the proposed disclosures because the ABA's guidance in the ABA Statement of Policy is based on the existing accounting and disclosure requirements in Statement 5¹ (as codified in ASC 450) and not on the proposed expanded disclosures. Therefore, we continue to believe that an appropriately revised ABA Statement of Policy would need to be in place before the FASB proceeds with proposed disclosures that rely on legal judgments. We believe that revisions should be accomplished through a dialogue between the ABA, the PCAOB, and the AICPA, with input from the auditing profession, the SEC, and the preparer community.

Renegotiation of the ABA Statement of Policy could take a significant amount of time and may prove difficult to complete by the proposed effective date. Without a revised ABA Statement of Policy, a lawyer's response to letters of audit inquiry could be viewed as a breach of attorney-client privilege, an admission, or otherwise prejudicial to a client. Accordingly, the effective date of the proposed ASU is too aggressive (see further discussion below).

Scope of Proposed Disclosures

We note that the 2008 ED did not include within its scope the following:

- Loss contingencies that would be recognized as asset impairments, such as allowances for uncollectible accounts receivable and impairments of loans.
- Guarantees within the scope of the disclosure requirements of Interpretation 45.²
- Liabilities for unpaid claim costs related to insurance contracts or reinsurance contracts of an insurance entity or a reinsurance entity.
- Liabilities for insurance-related assessments.
- Liabilities for employment-related costs, including pensions and other postemployment benefits (however obligations from the withdrawal from a multiemployer plan for a portion of its unfunded benefit obligation would have been subject to the disclosures).

We do not believe that the proposed ASU as drafted carries forward the scope exception for loss contingencies that would be recognized as asset impairments, such as allowances for uncollectible accounts receivable and impairment loans. We note that paragraph A5 in the 2008 ED's Basis for Conclusions stated:

¹ FASB Statement No. 5, *Accounting for Contingencies*.

² FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*.

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Loss contingencies that are recognized as asset impairments in a statement of financial position, such as allowances for uncollectible accounts receivable and impairments of loans, are outside the scope of this proposed Statement and, therefore, would continue to be subject to the existing disclosure requirements of Statement 5. The Board has a separate project on its agenda to consider disclosures related to allowances for credit losses associated with finance receivables.

We also note that ASC 310-10-50-9 (as amended by ASU 2010-20) states, in part:

In addition to disclosures required by Subtopic 450-20, an entity shall disclose a description of the accounting policies and methodology the entity used to estimate its liability for off-balance sheet credit exposures and related charges for those credit exposures.

Furthermore, ASC 310-10-50-21 (as amended by ASU 2010-20) states:

Paragraph 450-20-50-3 provides disclosure guidance for circumstances in which no accrual is made for a loss contingency because one or both of the conditions in paragraph 450-20-25-2 (probable and reasonably estimated) are not met, or if an exposure to loss exists in excess of the amount accrued pursuant to the provisions of paragraph 450-20-25-2. The disclosures required by paragraphs 450-20-50-3 through 50-6 do not apply to loss contingencies arising from an entity's estimation of its allowance for credit losses.

We believe that asset impairments, such as allowances for uncollectible accounts receivable and impairments of loans, should not be subject to the proposed disclosures. However, if the FASB intended that they be within the scope of the proposed guidance, a final ASU should clearly state this. In addition, we believe that ASC 310-10-50-9 and 50-21 would need to be amended.

Also, it is not clear whether the proposed disclosures as currently drafted would apply to guarantees under ASC 460-10. Paragraph 2 in the proposed ASU's introduction states, in part, "Disclosure of loss contingencies related to guarantees, excluding product warranties, **would be removed from Section 450-20-50**" (emphasis added). However, the proposed amendments to ASC 460-10-50-5 state, in part, "The disclosures required by this Subsection **do not eliminate or affect the [requirement] that an entity disclose a contingent loss subject to the threshold guidance described in paragraphs 450-20-50-1C through 50-1E**" (emphasis added).

We believe that guarantees should be excluded from the scope of the proposed disclosures and agree with paragraph A7 of the 2008 ED, which stated, in part:

The Board determined that because of the nature of guarantees, separate disclosure requirements were needed that reflect the specific recognition and measurement guidance to which they are subject in Interpretation 45. The Board also noted that including guarantees in the tabular reconciliation required by this proposed Statement would result in additional complexity because of the various subsequent measurement methods used for guarantees. As a result, the Board decided to exclude all guarantees within the scope of Interpretation 45 from the scope of this proposed Statement. This exclusion would include guarantees for which the subsequent recognition and measurement of a guarantee within the scope of Interpretation 45 are based on Statement 5 criteria. For those guarantees, the Board concluded that the associated liability is still within the scope of Interpretation 45 and should follow the disclosure requirements of that Interpretation.

However, if the FASB intended for guarantees to be within the scope of the proposed disclosures, a final ASU should clearly state this.

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Effective Date and Transition

As noted in our discussion about auditing concerns, we believe that the proposed effective date is too aggressive. Therefore, the effective date for all entities should be deferred until fiscal years ending after December 15, 2011, and for interim periods of fiscal years beginning after the first annual period of adoption (i.e., for the first quarter of 2012 for a calendar-year-end entity). We encourage the FASB to carefully consider responses from constituents when determining the appropriate time frame that would be operational for adoption. In addition, we recommend that the effective date be after the date that a revised ABA Statement of Policy has been enacted.

Implementation of the proposed ASU is likely to prove very challenging for (1) entities with a large portfolio of cases or other contingencies such as environmental remediation efforts and (2) auditors of such entities. Such entities may need to incur substantial time and cost to establish information systems and processes to collect, maintain, and update the required information for each reporting period. Entities may also need to obtain attorney opinions on, for example, the assessment of “potential severe impact.”

We appreciate the opportunity to comment on the proposed ASU. If you have any questions concerning our comments, please contact Stuart Moss at (203) 761-3042.

Yours truly,

Deloitte & Touche LLP

cc: Robert Uhl

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Deloitte & Touche LLP
Appendix A
Responses to the ASU's Questions for Respondents

Question 1: Are the proposed disclosures operational? If not, please explain why.

We believe that the proposed disclosures could be operational if the FASB added implementation guidance and deferred the effective date. As noted in the body of this letter, we believe that implementation guidance is needed for the entity to assess (1) the "potential severe impact" of remote contingencies, (2) aggregation, (3) materiality, and (4) what may constitute "other nonprivileged information" and to what extent this information needs to be disclosed. Further, we believe certain proposals may still result in the disclosure of prejudicial information.

We also encourage the FASB to strongly consider the responses from preparer constituents on whether the proposed disclosures are operational and to strike the right balance between benefits and costs.

Question 2: Are the proposed disclosures auditable? If not, please explain why.

Although the proposed ASU eliminates many of the predictive disclosures that would require significant judgment by management and its legal counsel, some of the remaining requirements would present difficulties for auditors seeking to obtain a reasonable level of assurance. As noted in the body of this letter, these concerns include assessments of (1) "potential severe impact," (2) aggregation, and (3) whether disclosures of "other nonprivileged information" are sufficient.

We continue to believe that an appropriately revised ABA Statement of Policy needs to be in place before the FASB proceeds with proposed disclosures that rely on legal judgments. We believe that revisions should be accomplished through a dialogue between the ABA, the PCAOB, and the AICPA, with input from the auditing profession, the SEC, and the preparer community. Without a revised ABA Statement of Policy, we have significant concerns about external auditors being able to obtain sufficient appropriate audit evidence of whether disclosures about loss contingencies are fairly presented in accordance with U.S. GAAP.

Renegotiation of the ABA Statement of Policy could take a significant amount of time and may prove difficult to complete by the proposed effective date. Without a revised ABA Statement of Policy, a lawyer's response to letters of audit inquiry could be viewed as a breach of attorney-client privilege, an admission, or otherwise prejudicial to a client.

Question 3: The June 2008 FASB Exposure Draft, Disclosure of Certain Loss Contingencies, had proposed certain disclosures based on management's predictions about a contingency resolution. The amendments in this proposed Update would eliminate those disclosure requirements such as estimating when a loss contingency would be resolved and the entity's maximum exposure to loss. Do you agree that an explicit exemption from disclosing information that is "prejudicial" to the reporting entity is not necessary because the amendments in this proposed Update would:

- a. Not require any new disclosures based on management's predictions about a contingency resolution*
- b. Generally focus on information that is publicly available*
- c. Relate to amounts already accrued in the financial statements*
- d. Permit information to be presented on an aggregated basis with other similar loss contingencies?*

If not, please explain why.

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As noted in the body of this letter, an exemption from disclosure of prejudicial information may be warranted in certain circumstances, including when an entity has (1) one or a few claims that may not be aggregated, (2) recoveries from insurance, (3) qualitative significant activity in the tabular reconciliation, and (4) non-income taxes.

If a prejudicial exemption is added to the final ASU, we anticipate that entities would try to assert this exemption frequently and that auditing such assertions may prove challenging and potentially harmful to an entity's defense because of potential breach of attorney-client privilege. We therefore believe that more guidance is needed on what constitutes "prejudicial." In addition, an amended ABA Statement of Policy (see above) should take into account a prejudicial exemption.

Question 4: Is the proposed effective date operational? If not, please explain why.

We believe that the proposed effective date for public entities is not operational. As noted previously, we believe that an appropriately revised ABA Statement of Policy should be in place before the FASB proceeds with the proposed disclosures that rely on legal judgments, particularly those related to "potential severe impact" and an appropriate level of aggregation. In addition, implementation of the proposed ASU may prove challenging for entities with a large portfolio of cases or other contingencies, such as environmental remediation efforts. Finally, entities will need time to (1) assess how the gathering, processing, and reporting of these increased disclosures would be covered under their internal controls over financial reporting and (2) ensure that the necessary controls are in place.

Question 5: Do you believe that the proposed disclosures will enhance and improve the information provided to financial statement users about the nature, potential magnitude, and potential timing (if known) of loss contingencies?

We agree that the proposed disclosures will increase the amount of information provided to financial statement users about the nature, potential magnitude, and potential timing of certain loss contingencies. However, we encourage the FASB to strongly consider the responses from user and preparer constituents about whether the proposed disclosures strike the right balance between benefits and costs.

Further, as noted in our comment letter on the 2008 ED, we question whether information about the claim amount is meaningful to financial statement users. Although disclosure of the claim amount may be verified objectively and may not be prejudicial, such an amount (1) is often unrelated to the ultimate outcome, (2) may increase or decrease repeatedly over time, and (3) is a quantity for which a plaintiff is minimally accountable. Furthermore, these amounts are often inflated, and the guidance in the proposed ASU might encourage entities to inflate them for sensational or tactical purposes. In addition, the claim amount is often likely to have no or very limited usefulness in the entity's assessment of the nature, potential magnitude, and potential timing of loss contingencies.

We recommend that the FASB consider the responses from users about whether disclosure of the claim amount is valuable to their assessment of the nature, potential magnitude, and potential timing of loss contingencies.

Question 6: Do you agree that 'nonpublic entities' should be exempt from the tabular reconciliation disclosures required in the amendments in this proposed Update? If not, please explain why. Are there any other aspects of the amendments that should be applied differently to nonpublic entities? If so, please identify and explain why.

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As noted in our comment letter on the 2008 ED, we agree that, except when it could be prejudicial, the proposed disclosure of a reconciliation of aggregate changes in loss contingencies that have already been recognized in the financial statements is useful. This reconciliation may contain useful information about public entities and about management's use of estimates in determining amounts accrued for loss contingencies.

We do not object to this disclosure requirement being limited to public entities. However, entities may have difficulty distinguishing between public and nonpublic entities and determining which entities fall within each category, as has occurred under ASU 2010-09. For the tabular reconciliation disclosures and the deferred effective date, we suggest that the FASB replace "public entity" with a term similar to that used in ASC 855.

At a minimum, we believe that a final ASU should clarify the definition of a "nonpublic entity" as used in (1) the tabular reconciliations and (2) the deferred effective date. Without a clear definition of nonpublic entity, it is difficult to comment on limiting the tabular reconciliation to "nonpublic entities." For example, we do not believe that an entity that is controlled by a public entity, but does not otherwise meet the criteria to be a public entity, should be required to make the tabular reconciliation disclosures.

Further, a final ASU should clarify how the tabular reconciliation requirement would be applied to a nonpublic entity that, after adoption, meets the criteria of a public entity (i.e., whether the tabular reconciliation would be shown prospectively from the period the entity meets the definition of a public entity or whether retroactive application would be required).

It is also not clear how contingencies subject to actuarial calculations (such as loss contingencies that are self-insured) would be included in the tabular reconciliation. These calculations are performed at a specific point in time and may not separately detail increases and decreases for changes in estimates. We suggest that the final ASU include additional examples of the tabular reconciliation and that the examples incorporate loss contingencies other than litigation accruals.

Question 7: The amendments in this proposed Update would defer the effective date for nonpublic entities for one year. Do you agree with the proposed deferral? If not, please explain why.

We believe that the proposed effective date is too aggressive. Therefore, the effective date for all entities should be deferred until fiscal years ending after December 15, 2011, and for interim periods of fiscal years beginning after the first annual period of adoption (i.e., for the first quarter of 2012 for a calendar-year-end entity). We encourage the FASB to carefully consider responses from constituents when determining the appropriate time frame that would be operational for adoption. In addition, we recommend that the effective date be after the date that a revised ABA Statement of Policy has been enacted.

Question 8: Do you believe that the proposed and existing XBRL elements are sufficient to meet the Securities and Exchange Commission's requirements to provide financial statement information in the XBRL interactive data format? If not, please explain why.

We are not aware of concerns regarding the sufficiency of the proposed and existing XBRL elements; however, we note the following:

- Certain contingencies have standard labels (e.g., malpractice loss, environmental loss, product liability) while others do not (non-income taxes).

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- For the labels related to the tabular reconciliation, the addition of references to ASC 805 might be appropriate.
- We believe that the following labels should also include a reference to 450-20-50-1F(f):
 - Loss Contingency, Damages Indicated by Expert Witness.
 - Loss Contingency, Other Disclosures.
 - Loss Contingency, Possible Recoveries From Insurance.
 - Loss Contingency, Possible Recoveries From Insurance, Denial, Contested, or Reserved Rights.
- The proposed ASU defines “Loss Contingency, Possible Recoveries from Insurance” as “The amount of possible recoveries from insurance (or other sources).” However, we do not believe it is clear from ASC 450-20-50-1F that an amount, which will often not be known until settled, needs to be disclosed.
- The definition of “Loss Contingency, Other Disclosures” should be conformed to that used in ASC 450-20-50-1F.
- Many of the labels refer to ASC 450-20-50-6, but this paragraph would be superseded under the proposed ASU.

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Appendix B
Deloitte & Touche LLP
Additional Comments

Other Items for Consideration

- ASC 450-20-55-9 addresses the threat of expropriation, stating, in part, “If the conditions for accrual are not met, the disclosures described in Section 450-20-50 would be made if there is at least a reasonable possibility that an asset has been impaired.” Although we note that this requirement does not envision the possibility that a remote likelihood of expropriation could qualify as disclosure, it is not clear whether the Board intended that a different threshold for disclosure should apply to threats of expropriation.
- With regard to the example in ASC 450-20-55-38 through 55-43, we note the following:
 - During period 1, the fact that Entity A has not completed its analysis of the relevant laws about performance and has not formulated its defense appears to be the reason that an estimate of a potential loss or range of loss, if any, cannot be made. However, one could argue that a defendant would continuously analyze the relevant laws to formulate and revise its defense and therefore never be required to disclose its estimate of a potential loss or range of loss until the matter is settled. We question whether this example illustrates a means of avoiding quantitative disclosures until the matter is settled.
 - We believe that during period 3, the range of loss is \$0 to \$2 million.

Editorial Changes

Suggested editorial changes to the proposed ASU are noted below (added text is underlined and deleted text is ~~struck out~~).

- The first sentence of ASC 450-20-50-9 should be revised as follows to conform to the language in ASU 2010-09:

Disclosure of a loss, or a loss contingency, arising after the date of an entity’s financial statements but before those financial statements are issued or available to be issued, as described in paragraphs 450-20-25-6 through 25-7, may be necessary to keep the financial statements from being misleading if an accrual is not required.
- ASC 450-20-50-1F(e)(4) and (f)(2) should be revised as follows to make these two criteria the same:

(e)(4): Other nonprivileged information that would be relevant to financial statement users to enable them to understand; the potential magnitude of the possible loss

(f)(2): Other nonprivileged information that would be relevant to financial statement users to enable them to understand the potential magnitude of the possible loss
- The first sentence of ASC 450-20-55-22 should be revised as follows because the disclosure requirements were deleted from these examples:

The following Cases illustrate application of the accrual ~~and disclosure~~ requirements in the following states of litigation:

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- The second sentence of ASC 410-30-50-13 should be revised as follows because paragraph 450-20-50-6 would be superseded by the proposed ASU:

If an entity concludes that it has no current legal obligation to remediate a situation of probable or possible environmental impact, then in accordance with paragraph 450-20-50-1C ~~450-20-50-6~~ no disclosure is required.