



National Association of Surety Bond Producers

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September 20, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
Norwalk, CT 06856-5116
director@fasb.org

Re: File Reference Number 1840-100 – Contingencies (Topic 450)

Dear Mr. Golden,

We appreciate the opportunity to comment on the FASB 450 Exposure Draft. Our comments focus on proposed amendments with respect to paragraphs 715-80-35-2 and 715-80-50-2 regarding multiemployer plans. We request that the Board withdraw the amendments or offer clarifications in accordance with our concerns set forth below.

As end-users of employer audited financial statements, we have a unique view with respect to the proposed increase in disclosure. While we generally applaud an increase in transparency regarding an employer's potential liability with respect to multiemployer plans, we believe that the proposed amendments will provide misleading information to end-users that will impair, not enhance, our member's ability to determine the financial capital, character, and capacity of construction employer's who seek surety bonding. We are not aware of any entity in the surety bond industry that has requested or suggested that FASB amend its standards as set forth in the Exposure Draft.

Founded in 1942, the National Association of Surety Bond Producers (NASBP) is an international trade association of firms employing surety bond professionals. NASBP bond producers specialize in providing surety bonds, such as bid, performance and payment bonds, for construction contracts and other purposes to companies and individuals needing the assurance offered by surety bonds. NASBP bond producers engage in contract and commercial surety production throughout the United States, Puerto Rico, Guam, and a number of countries. They have broad knowledge of the surety marketplace and the business strategies and underwriting differences among surety companies.

As trusted advisors, professional surety bond producers act in many key roles to position their clients to meet the underwriting requirements for surety credit. Bond producers refer clients to and interface with lenders, certified public accountants, and attorneys to ensure that construction businesses, contractors, subcontractors and suppliers, evidence the capital, capacity, and character needed to merit surety credit. Critical to the underwriting process for surety credit is an assessment of the financial wherewithal of the business seeking such credit. For that reason, the surety industry is a significant user of company financial statements and has a deep and singular interest in ensuring the accuracy and completeness of such statements.

It is worth noting that surety bonding is a key ingredient of the construction marketplace in the United States, providing the protections of prequalification and guarantees of performance and payment. Public construction projects and many private construction projects require surety bonds. Statutes at federal, state, and local levels require surety bonds for public construction contracts exceeding certain dollar thresholds, ensuring that virtually all public construction contracts of any significant size are bonded, a distinctive feature of the United States construction contracting environment. It is in the interest of promulgators of proposed accounting rules impacting the financial statements of U.S. construction and related businesses to take into account the comments and concerns of the surety industry.

We are concerned that, under the proposed amendments, users of the financial reports will get an incomplete and inaccurate picture of the financial strength and capacity of employers that contribute to multiemployer plans. First, the data available from multiemployer plans relates to prior years' experience. In addition, the information which is required to get an accurate understanding of a potential loss contingency is not provided by multiemployer plans as part of their normal course of business. As a result, the time and money required to collect and analyze the necessary information is outweighed by the limited value to the end user. The helpfulness of the data is further impaired because the data which is available will not likely reflect the exceptions to and limitations on withdrawal liability that are specific to multiemployer plans (e.g., the construction industry exception and limitations on annual payments). Thus, we believe that the proposed amendments will not result in the disclosure of information to the users of financial statements that will meaningfully assist them in making economic decisions regarding the reporting entity.

We are also concerned that the proposed amendments will give the false impression that a withdrawal liability claim has been or is likely to be asserted against a reporting entity when the employer has no intention of triggering that liability. We request that the Board clarify that potential claims for withdrawal liability should be treated as unasserted claims under paragraph 450-20-50-1C. Unless an employer has withdrawn or there is concrete evidence that a withdrawal from the multiemployer plan is probable, the reporting of that potential withdrawal liability claim may create the misleading impression that the reporting entity has less financial capacity and capital than it actually does.

In the event that the Board does not withdraw the proposed amendments, we request that the effective date for public and private entities be extended for at least three years. It will take a significant period of time to adequately inform end users of the meaning of the disclosed information in order to allow them to place the appropriate weight on the information disclosed.

Thank you for the Board's consideration of our comments. Please do not hesitate to contact us if we can be of any assistance.

Sincerely,



Mark H. McCallum
Chief Executive Officer, NASBP