

The Surety & Fidelity Association of America

1101 CONNECTICUT AVENUE, NW, SUITE 800, WASHINGTON, DC 20036 TEL: (202) 463-0600 – FAX: (202) 463-0606
website: <http://www.surety.org>
E-mail: information@surety.org

September 6, 2013

Via Electronic Mail

Financial Accounting Standards Board
File Reference No. PCC-13-01A
File Reference No. PCC-13-01B
Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
Attn: Technical Director

Re: Exposure Drafts
Proposed Accounting Standards Update
Topics 805 and 350
Accounting for Identifiable Intangible Assets
Accounting for Goodwill
File Reference No. PCC-13-01A
File Reference No. PCC-13-01B

The Surety & Fidelity Association of America (“SFAA”) is a trade association of companies that are licensed to write surety and fidelity bonds. SFAA member companies collectively account for the vast majority of surety bonds written in the United States. A surety bond secures one party’s (bond principal) obligation owed to another (obligee). A significant part of the surety’s underwriting involves an assessment of the bond principal’s financial ability to fulfill the obligation that is being secured. Therefore, sureties are significant users of financial statements. The principal’s financial statement is a crucial tool in evaluating the principal’s financial position. Therefore, our comments are from the perspective of a user of a financial statement.

The captioned proposals revise the standards for reporting goodwill and other intangible assets for private companies. They appear to benefit the reporting entity by reducing preparation costs without inhibiting a surety’s ability to make an analytical assessment. Therefore, we do not object to the captioned proposals.

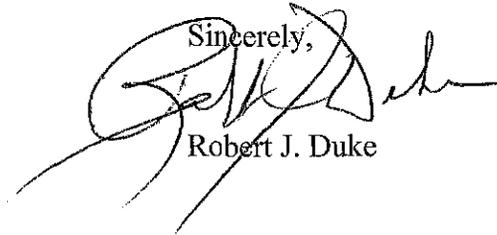
File Reference No. PCC-13-01A
File Reference No. PCC-13-01B
The Surety & Fidelity Association of America
September 6, 2014
Page 2

The standards update concerning accounting for identifiable intangible assets in a business combination (Topic 805) likely would not affect sureties significantly. First, the standard would come into play when there is a business combination, which is a not too frequent event. Second, the types of assets in which sureties would be interested (copyrights, patents, customer lists, etc.) typically arise from a legal or contractual right and still would be subject to a detailed accounting. Finally, of those assets that now would be included in goodwill, the standard still requires a qualitative disclosure.

We stress that our position is based in part on the proposal's requirement for qualitative disclosures of those intangible assets that are not recognized separately. Such disclosures are critical in the surety's ability to make further inquiries if necessary. Further, the disclosure adequately balances the competing interests of minimizing cost and burden in reporting and ensuring transparency.

Similarly, the proposal concerning the accounting of goodwill and goodwill impairment losses likely will not affect a surety's underwriting significantly. As noted in the proposal, most users of private company financial statements disregard goodwill and goodwill impairment losses in their analysis. Thus, the cost and complexity to implement the current accounting standard may not justify its use. Nevertheless, continued disclosure as set forth in § 350-20-50-4 *et seq.* is critical.

We thank you for the opportunity to submit comments. We would be happy to discuss our feedback regarding the captioned proposals further with you.

Sincerely,

Robert J. Duke