ABSTRACT: Standard setters have expressed concern about whether financial statements and particularly the related notes provide timely information about expected economic losses associated with material pending litigation. Prior research yields conflicting inferences about whether firms’ loss contingency disclosures are effective. Although managers appear reluctant to disclose private information about litigation in a timely manner (Hennes 2008, Desir, Fanning and Pfeiffer 2009), Grundfest and Simmons (2008) find no statistically significant market response to press release news of litigation resolutions. We hypothesize that the availability of information about litigation in public arenas may impact the informativeness of financial statement disclosures. We examine whether loss contingency notes are more informative when public information about pending litigation is costly for investors to obtain and when contingency notes reveal managements’ private information about the expected loss. We use a sample of 199 litigation settlement announcements reported in Form 8-K filings issued from January 1, 2004 through December 31, 2010 that involve breach of contract, patent infringement, product liability and employment practice disputes to test our hypothesis.