



January 15, 2009

Mr. Russell G. Golden Technical Director Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Re: File Reference Proposed FSP FAS 107-a

Dear Mr. Golden:

Nationwide Insurance Group appreciates the opportunity to comment on the proposed FSP FAS 107-a (Proposed FSP). Nationwide Insurance Group (Nationwide) is comprised of three affiliated mutual insurance companies and their subsidiaries under common management. Nationwide Financial Services. Inc., a wholly-owned subsidiary of Nationwide, is a Securities and Exchange Commission registrant. Nationwide is one of the largest diversified insurance and financial services organizations in the world, with more than \$161 billion in assets and annual revenues of \$22 billion.

Although we agree with FASB's stated objective to improve the quality of information for financial statement users and to increase the comparability of the financial statements, we do not agree that the Proposed FSP achieves this objective without (i) an appropriate time frame that is conducive to the preparation of quality disclosures by issuers (ii) further conceptual modifications, and (iii) further clarification of the desired intent for the benefit of the financial statement users. The Proposed FSP would result in a significant increase to the level of analysis performed because issuers must now complete an auditable cash flow analysis for each held-to-maturity and available-for-sale security, whether or not the security is under review for impairment. This level of analysis is not practical given the current implementation date. Furthermore, we feel it is unreasonable to require the Proposed FSP without the opportunity to fully examine and contemplate the underlying concepts that could impact the proposed disclosure. If the implementation date remains as proposed, this disclosure is unlikely to yield quality results. Consequently, these disclosures may cause additional confusion to the users of financial statements due to the inconsistent application that is likely to occur. The Proposed FSP would result in more implementation issues for preparers and auditors as well as a lack of clarity in the information disclosed. Our main concerns with the Proposed FSP and our recommended changes are outlined below.

#### I. TIMING

The Proposed FSP requires the disclosure of the incurred loss amount for items included within its scope using an incurred loss model. As a result, the Proposed FSP will require the implementation of incurred loss models for each held-to-maturity and available-for-sale security held by the issuer as of its next filing date. Given the size and complexity of the investment portfolios managed by many of the issuers, the proposed disclosure requirements will create considerable process and implementation obstacles. As an accelerated filer, the truncated timeframe allotted by the Proposed FSP is not sufficient to adequately address and clear implementation and guidance interpretation issues with external auditors.

As the Proposed FSP was released for comment on December 24, 2008 with comments due January 15, 2009, we feel the comment period is poorly timed and the implementation period is too short to adequately address the substantive issues raised by the Proposed FSP. The comment period takes place during a time when many issuers are focused on the evaluation of their portfolios subject to impairment review, completing year end closing procedures and drafting the new disclosures already effective for the year end filing. A sufficient amount of time to evaluate the underlying concepts introduced by the Proposed FSP has not been allotted. As a result, additional issues with respect to the Proposed FSP's implementation are likely to surface after the close of the comment period but prior to issuers' respective filing deadlines. FASB, therefore, will not have sufficient time to properly address the issues and will be unable to ensure consistency in the Proposed FSP's application, again defeating the stated purpose of achieving comparability. If, after consideration of the obstacles noted above, the FASB remains committed to the inclusion of the Proposed FSP disclosures in the interim and annual reporting periods ending after December 15, 2008, we ask that the FASB request that the SEC extend the accelerated filer reporting deadlines.

## II. LACK OF COMPARABILITY

The expected future cash flows calculated by incurred loss models are based on managerial judgments and decision-making. For instance, variables such as estimated costs to sell, prepayment speeds, frequency of payments, duration of the security, interest rates, spreads, and experience of defaults can be included in the modeling used to calculate the expected returns. The use of these variables and the structure of the models are driven by management's judgment. The inclusion of managerial judgment in the estimation of future cash flows is likely to lead to differences in the valuation of similar securities across the financial statements of various issuers. The judgment in these models will obstruct FASB's stated objective by creating inconsistencies among issuers and may actually prohibit an environment conducive to comparability across each issuer's disclosures.

In addition to the lack of comparability amongst issuers filing reports under the GAAP standards, the Proposed FSP, in combination with proposed amendments to IFRS 7 released by the IASB in December 2008, will create additional obstacles for financial statement users regarding their ability to compare information between reports created under GAAP and those created under IFRS. The IASB Exposure Draft: Investments in Debt Instruments, requires issuers under IFRS to add a tabular disclosure associated with investments in debt securities similar to the tabular disclosure required

under the Proposed FSP. The existing guidance under both GAAP and IFRS require held-to-maturity securities to be presented at amortized cost and available-for-sale securities to be presented at fair value on the balance sheet. The IASB Exposure Draft requires IFRS issuers to present a tabular disclosure that presents the carrying value, fair value and amortized cost associated with the held-to-maturity securities and the available-for-sale securities. Under the Proposed FSP, issuers will be required to present carrying value and fair value, in addition to the incurred loss amount (discounted present value of expected future cash flows). As the calculation of incurred loss is not disclosed under both the IASB Exposure Draft and the Proposed FSP, the new disclosure requirements will create additional inconsistencies in reporting.

# III. DISCLOSURES REGARDING EXPECTED FUTURE PERFORMANCE BELONG IN MANAGEMENT DISCUSSION AND ANALYSIS.

The Proposed FSP's tabular requirement consists of redundancies in that the information included in two of the three columns (related to held-to-maturity and available-for-sale securities) is already included in an issuer's financial statements and corresponding notes. Although the inclusion of the discounted present value of expected future cash flows may be useful to the financial statement users, we feel the adoption of the Proposed FSP should be deferred until concerns related to implementation issues can be addressed. If these issues are adequately addressed, we feel any disclosure including forward looking information should be included in the Management Discussion and Analysis. We do not believe it is appropriate to include this type of forward looking information within the notes to the financial statements.

We feel that the Proposed FSP provides issuers the opportunity to convey management's expected returns based on its invested assets to the financial statement users. Such expected returns are integral to management's decisions of whether each invested asset will remain part of the overall investment strategy. It is critical, therefore, that financial statement users are privy to management's analysis of the expected returns to ensure the financial statement users are aware of the current impact that the invested assets have on the financial statements and, more importantly, of the expected returns of the invested assets and their corresponding impact on the financials in future periods.

The results calculated by the incurred loss models are predictions and not representative of historic facts. As such, the disclosure of these results is comprised of forward looking statements which should not be included in the notes to the financial statements and would be better aligned with the information included in the Management Discussion and Analysis section of the filings. The use of forward looking information is generally governed by regulatory bodies other than the FASB. As a result of other concerns facing these regulatory bodies, they may not have the time or the resources necessary to assess the implications of the addition of forward looking statements to the financial statement notes prior to the filing deadlines.

# IV. ALTERNATIVE DESCRIPTION

In the event that the Proposed FSP is adopted, we suggest changing the title attributed to the amounts flows value of the expected future from the present derived "present value of expected future cash flows" rather than "incurred loss." Currently there is no disclosure requirement to define the intent of the term "incurred loss" in the notes to the financial Without an adequate definition, financial statement users may misinterpret (or fail to comprehend) the information, which could result in the need for additional authoritative guidance. The amount calculated by the incurred loss models is the amount the issuer expects to recover over the term of their investment in the security. Thus, the use of the title "incurred loss" does not accurately portray the information disclosed.

### CONCLUSION

While the implementation of the Proposed FSP will require significant effort, we believe an even greater issue is at stake due to the inability of the Proposed FSP to meet FASB's objective to increase the comparability of the financial statements. Comparability will not be increased due to the inherent judgment involved in developing incurred loss models. The use of judgment in determining the expected returns negates the ability to disclose comparable information. We do, however, believe that information about management's expected returns on the invested assets would be beneficial to the financial statement users. The disclosure of expected returns represents forward looking statements; therefore, we believe this information should be disclosed in the Management Discussion and Analysis section of the filing where it can be conveyed by management in a manner that is meaningful to the financial statement users. Lastly, if the proposed tabular format is required by the FASB, we suggest that the FASB change the title of the column that displays the expected future cash flows to note that it represents management's expected recoveries.

Given the other hot topics facing FASB and issuers in the context of the credit crisis and the market volatility, the time and attention required to fully discuss this Proposed FSP and to implement it if it becomes effective is not available to issuers. The Proposed FSP should be deferred until a sufficient comment period is enacted.

We hope these comments assist you during your deliberations of the Proposed FSP. In the event that any Board or FASB staff member would like any further clarification of our positions, we are happy to explain them in greater detail.

Respectfully,

Martha L. Frve

Senior Vice President and Chief Accounting Officer

Nationwide Insurance