

On Your Side® February 12, 2010

Russell G. Golden Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. EITF090G

Dear Russell G. Golden:

Nationwide Insurance Group appreciates this opportunity to comment on the exposure draft of proposed accounting guidance related to accounting for costs associated with the acquisition of new and renewal insurance contracts. Nationwide Insurance Group (Nationwide) is comprised of three affiliated mutual insurance companies and their subsidiaries under common management, operating both property and casualty and life insurance companies. Nationwide is one of the largest diversified insurance and financial services organizations in the world with annual revenues of \$21 billion and assets totaling \$140 billion.

The proposal under consideration from the Emerging Issues Taskforce recommends a broad change to the method of measuring deferred acquisition costs (DAC). While we understand the Board's desire to improve consistency in accounting for these costs, we believe that changing the definition at this time would set an unfavorable precedent as it contradicts the Board's long-term goal of derecognizing DAC in the insurance contracts – joint project of the IASB and FASB (insurance contracts joint project). In this context, we think the implementation costs required to operationalize the proposed guidance will not prove to be substantially beneficial given the docket of expected guidance changes scheduled over the next few years. This is especially applicable as the proposed DAC guidance changes would essentially be effective for only three years until the insurance contracts joint project guidance is required for the 2014 financial statements. As a result, we respectfully request that the Board reconsider their position to re-define the existing definition of DAC. Instead, we would support clarifying guidance to drive consistent treatment of advertising costs without making holistic changes to current literature. Further detail of our concerns and recommendations are noted below for your consideration.

We believe that the guidance proposed represents a fundamental change to the definition of DAC, one that is notably substantial given that the Board and the IASB have already agreed to eliminate this concept in their insurance contracts joint project. Requiring companies to alter their accounting models from deferring costs that "vary with and primarily relate to" the acquisition of insurance contracts to a model capable of only deferring the "incremental direct" costs associated with successful (but not unsuccessful) contract acquisitions would require significant operational and information technology resources to implement. For instance, most underwriting activities vary with and primarily relate to acquiring new business; however, an underwriter's salary, while primarily related to acquiring new business, is not readily bifurcated between the time spent for successful versus unsuccessful efforts. In fact, many initial unsuccessful efforts lead to generating new business in the future. Moreover, premium pricing models throughout the industry must consider both successful and unsuccessful underwriting costs to maintain long-term financial health. Therefore, our premium revenues implicitly include margin to cover both "successful" and "unsuccessful" expenses needed to originate new customers. We believe trying to artificially bifurcate out unsuccessful costs is unnecessarily complex and does not align with associated pricing practices. We believe that the existing guidance fittingly allows for these underwriting expenses to be capitalized and recognized in current earnings in proportion to the revenue earned. Instead of creating greater complexity with minimal incremental benefit, we respectfully request that the Board consider a more targeted effort to address specific reporting inconsistency concerns where applicable.

In addition to our operational concerns, we would also like the Board to consider that the timing of the proposed DAC changes inefficiently overlaps with the eventual transition period of the expected guidance in the insurance contracts joint project. The published target date for adoption of the guidance from the insurance contracts joint

Page 2

project is 1/1/2014 which will likely require three years retrospective application. Given that the effective date of *this* proposal is 1/1/2011, the proposed guidance would only be effective for three years, two of which would have to be restated in the financial statements once the converged guidance is adopted. We think that the limited effective period inherent in this proposal is both imprudent and inefficient in light of these anticipated permanent changes.

Although we have not completed an exhaustive analysis of the impact of the proposed changes, our initial assessment is that the proposed changes will have limited impact on our reported financial results while creating significant changes in operational processes and related systems infrastructure support. We believe that our experience is consistent with the majority of insurance companies across the industry. Having discussed the proposal's limited effective period and the evolving guidance around this topic, we think it would be more beneficial to the industry and our constituent investor community if resources were focused on adopting the permanent changes emerging from the Board's agenda.

We appreciate the Board's consideration of our comments and concerns. We hope the Board will reconsider their approach to improve consistency in reporting of DAC without issuing sweeping guidance which has a minimal impact and a limited effective period. We believe that the material items resulting in inconsistent application of current guidance would be better addressed through a direct scope exception for advertising costs.

We hope these comments are helpful in your deliberations of the Emerging Issues Taskforce proposal. In the event that any Board member or staff person would like further clarification on our positions, we would be happy to explain them in further detail.

Respectfully,

Michael A. Hakimian

Vice President, Accounting Policy and Research

Nationwide Insurance