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LETTER OF COMMENT NO. 53

November 14, 2008

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

Re: File Reference No. 1620-100 – Proposed Statement of Financial Accounting Standards – Amendments to FASB Interpretation No. 46R

Dear Mr. Golden:

Nationwide Insurance Group appreciates the opportunity to comment on the proposed Statement of Financial Accounting Standards – Amendments to FASB Interpretation No. 46R (Proposed Standard). Nationwide Insurance Group (Nationwide) is comprised of three affiliated mutual insurance companies and their subsidiaries under common management. Nationwide Financial Services, Inc. is a Securities and Exchange Commission registrant, in which Nationwide has majority equity and voting interests. 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.

The International Accounting Standards Board (IASB) is currently considering amendments to its consolidation standards; the FASB should strive for convergence with the IASB's standards instead of proceeding with this Proposed Standard and the proposed FAS 140 standard. The groundwork laid by the FASB and the comments received on this Proposed Standard should be used as a foundation for future international conversations. Keeping this goal in mind, we offer the following comments on the Proposed Standard for use during the joint FASB and IASB efforts to develop future guidance.

- We support the movement to the qualitative method proposed; however, additional clarification is needed to prevent inconsistent application. Suggestions include: clarify when benefits are "significant" to the VIE, remove the quantitative analysis completely, and make the use of kick-out rights consistent with the voting interest model.
- We support the elimination of the qualifying special purpose entity (QSPE) definition; however, we feel this change should be prospective only.

- The Proposed Standard requires an ongoing assessment of VIE status and the primary beneficiary determination. The current FIN 46R “triggers” for reevaluation should be retained as ongoing assessment is not operationally feasible.
- We agree that additional disclosures are warranted; however, these additional disclosures should allow for judgment and the ability to focus disclosure on material risks, as opposed to the Proposed Standard’s prescriptive requirements.

We elaborate on these comments below.

The qualitative criteria used for the determination of the primary beneficiary is a positive change from the existing quantitative criteria. We do feel improvement is needed to better clarify the intentions of the qualitative model. First, the term “significant” must be well defined and understood to allow for consistent application. Second, we believe the quantitative model should be completely removed as a primary beneficiary assessment criterion. Practitioners and auditors may inconsistently use the quantitative criteria in a two step approach as they may think that if an entity does not meet the qualitative definition of primary beneficiary then they must also “pass the quantitative” test as well to avoid consolidation. This mindset could lead to inconsistent application of consolidation that could result from some applying a two step test (qualitative and then quantitative) and others a one step test (qualitative only). Third, the use of kick-out rights should be consistent across accounting guidance. The VIE guidance should not require *unilateral* kick-out rights to overcome the presumption of control when the voting guidance requires a single limited partner or a *simple majority* have kick-out rights to achieve the same thing. By clarifying these three points, the primary beneficiary assessment will be strengthened and more consistent in application.

We support the Board’s decision to remove the concept of a QSPE in its entirety from FAS 140 and to eliminate the associated scope exceptions from the Proposed Standard; however, we support this change on a prospective basis only. Given the existing guidance’s scope exception, entities have not needed to have access to the information necessary for the newly prescribed evaluations. Legal language in existing operating agreements may not require this information be shared and these existing operating agreements may not be amendable. For these reasons, we suggest “grandfathering” existing QSPEs. At a minimum, we suggest that the Board include language similar to existing language in FIN 46, “An enterprise with an interest in a variable interest entity or potential variable interest entity created before December 31, 2003, is not required to apply this Interpretation to that entity if the enterprise, after making an exhaustive effort, is unable to obtain the information necessary...”

The Proposed Standard requires an ongoing assessment of whether entities are VIEs and if the entity is the primary beneficiary. The current FIN 46R “triggers” for reevaluation should be retained as ongoing assessment is not operationally feasible. While guidance such as voting rights require ongoing assessment, voting rights change infrequently and are substantially less complex than the application of the proposed guidance. As such, the use of trigger events should be retained in the

proposed standard. In the event that the Board does not believe that the current reconsideration events are adequate then a review and revision of the criteria should be pursued in lieu of requiring an ongoing assessment.

We are disappointed in the FASB's decision to require the proposed disclosures for 2008 financial statements given the concerns cited by Nationwide and other constituents (File Reference Proposed FSP FAS 140-e and FIN46(R)-e). We agree that additional disclosures are warranted; however, these additional disclosures should allow for judgment and the ability to focus disclosure on material risks, as opposed to the Proposed Standard's prescriptive requirements. Furthermore, the FSP FAS 140-e and FIN46(R)-e should be amended to reflect these changes.

In conclusion, we urge the FASB to join the IASB in developing a converged standard. The above comments should be used by the Board as part of this conversation. 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,

/s/ Martha L. Frye

Martha L. Frye
Senior Vice President and Chief Accounting Officer
Nationwide Insurance