Annmarie Hagan
Vice President &
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Letter of Comment No: 37 File Reference: 1205-001

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Ms. Suzanne Bielstein Director, Major Projects and Technical Activities Financial Accounting Standards Board File Reference No. 1205-001 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

#### Dear Suzanne:

CIGNA Corporation appreciates the opportunity to share our views on the FASB Exposure Draft (ED), Consolidated Financial Statements, Including Accounting and Reporting of Noncontrolling Interests in Subsidiaries - a replacement of ARB No. 51.

One of the primary objectives of this ED is to improve the relevance and transparency of consolidated financial statements. However, we believe that the presentation and disclosure requirements proposed will have the opposite effect. It is our view they will confuse readers about consolidated financial position and result in reporting that is conceptually flawed. Specific areas we ask you to reconsider are described below:

## Presentation of Noncontrolling Interest

We agree with the ED that a noncontrolling interest in an entity does not meet the definition of a liability. However, we believe the proposal to present it as shareholders' equity of the consolidated reporting entity violates the Statement of Concepts because that noncontrolling interest does not have an equity interest in the parent company. In addition to this conceptual flaw, this classification seems contrary to the interests of the primary users of consolidated financial statements: the majority shareholders of the parent company. These users rely on these statements to reflect their ownership interest in the entity. For these reasons we believe implementation of this model is inappropriate and will result in distorted reporting.

Our recommendation is that a noncontrolling interest be presented between liabilities and equity. We recognize this may require an amendment to the Statement of Concepts and believe, despite the Board's resistance to modify the framework, that this is the most appropriate solution. As FASB is

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currently working on a project to address the conceptual framework this provides an opportunity for the Board to close the long-running debate on presentation of noncontrolling interests and improve the basis of financial reporting.

# Step Acquisitions

We agree with the approach outlined in the ED that the value of the noncontrolling interest needs to be stepped up to its current fair value upon assumption of control; however we disagree that a gain should be reported in the income statement because this approach results in the recognition of holding gains and losses before they are realized. On this basis, we believe deferred recognition and recording a decrease through goodwill is more appropriate.

We also disagree that subsequent purchases of additional interests in an entity after control has been achieved should be accounted for as an equity transaction (like treasury stock). The proposed treatment would mean that otherwise identical acquisitions would be accounted for differently if the first was structured in one transaction, while another was structured in several steps. We believe that such purchases should be considered additional investments in the entity with associated goodwill appropriately recognized.

#### Disclosure of Noncontrolling Interest

The ED requires significant new disclosures in the basic financial statements, particularly in the Statement of Changes in Shareholders' Equity. Even if the Board continues with the presentation of noncontrolling interests as part of shareholders' equity, we believe that the additional proposed disclosures clutter the financial statements and place undue emphasis on the activities of the noncontrolling interest. We believe it would be best to reflect the noncontrolling interest in the basic financial statements in one line and reserve further disclosure (including changes in shareholders' equity) for the notes.

# Effective Date

Given the significance of the changes proposed, we recommend that the effective date of the final standard be at least six months from its issue date. We believe this ED could be compared in terms of complexity to Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R). The effective date of SFAS 123R, initially slated for six months after issue date, has since been delayed to provide for time for FASB to address unanticipated implementation issues and for preparers to modify internal reporting and control processes. We believe a similar transition period should be allowed for this equally complex ED.

If we can provide further information or clarification of our comments, please call me or Nancy Ruffino (860-226-4632).

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Sincerely,

Annmarie Hagan