

June 30, 2004

Director of Major Projects – File Reference No. 1102-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Letter of Comment No: 5521
File Reference: 1102-100

RE: File Reference No. 1102-100
Comments on Exposure Draft of a Proposed Statement of Financial Accounting Standards, *Share-Based Payment*

Dear Director of Major Projects:

CIGNA Corporation appreciates the opportunity to comment on the Financial Accounting Standards Board's (the "Board") Exposure Draft of a Proposed Statement of Financial Accounting Standards, *Share-Based Payment* (the "Exposure Draft") and we recognize the efforts expended by the Board to develop a new standard to recognize compensation expense for the fair value of share options granted to employees in exchange for services.

We have concerns about the proposed effective date for public entities for fiscal years beginning after December 15, 2004. The Exposure Draft indicates that the Board believes public entities will be able to comply with this "relatively early effective date" due to the existing pro forma disclosure requirements. However, we have significant reservations about the ability of companies to effectively implement this standard due to the following:

- Limited availability of the recommended lattice models
 - According to the Option Valuation Group supporting the Exposure Draft, the lattice model is not currently commercially available.
 - Our existing stock plan administrator has indicated that it is not currently offering valuation tools which use lattice models.
- Additional time will be necessary to understand and develop assumptions of employees' expected exercise and post-vesting employment termination behavior that are required to benefit from the lattice model's "ability to more fully capture and better reflect the characteristics" of a share option

We recommend the Board delay the effective date of the Exposure Draft for public entities until fiscal years beginning after December 15, 2005 to allow vendors to develop lattice models available for commercial use and to enable public entities to appropriately evaluate and implement such models. Entities need sufficient time to understand the lattice model and its required inputs to develop share option valuations to accurately report the estimated impact of compensation decisions in results of operations and effectively assess employee compensation decisions.

If the Board feels strongly about expensing of share options for fiscal years beginning after December 15, 2004, we recommend the Board modify the transition requirements to allow public entities to use existing valuation techniques (e.g., Closed-Form Models) for share options granted during the initial fiscal year of adoption. This compromise would help minimize the challenges associated with implementing the Exposure Draft, while still accomplishing the objectives of the Board. Furthermore, the use of Closed-Form Models to estimate the fair value of share option grants for one additional year is consistent with the Board's proposed requirements for public entities to begin expensing unvested share options granted prior to the year of adoption using existing fair value estimates developed with Closed-Form Models.

Should the Board have questions concerning the comments in this letter or desire additional information, please do not hesitate to contact me or Nancy Ruffino at (860-226-4632).

Very truly yours,

/s/ Annmarie T. Hagan

Annmarie T. Hagan
Vice President and
Chief Accounting Officer
CIGNA Corporation