

September 7, 2010

Routing TL14A 1601 Chestnut Street Philadelphia, PA 19192 Telephone 215-761-1170 mary.hoeltzel@cigna.com

Mr. Russell G. Golden, Technical Director File Reference No. 1830-100 Financial Accounting Standards Board 401 Merritt 7 PO Box 5116 Norwalk, CT 06856-5116

Dear Mr. Golden:

## Re: Exposure Draft, Amendments for Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs

CIGNA Corporation appreciates the opportunity to comment on the Financial Accounting Standard Board's (FASB) Exposure Draft (ED), "Amendments for Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs." CIGNA is one of the largest investor-owned health care and related benefits organizations in the United States, and has operations in selected international markets. As of June 30, 2010, CIGNA provided fair value disclosures for approximately \$17 billion in financial assets and liabilities measured at fair value on a recurring basis, excluding separate accounts. Of this amount, approximately \$3 billion are classified in Level 3.

CIGNA supports the goal of the FASB and the International Accounting Standards Board (IASB) to develop common requirements for measuring and disclosing information about fair value measurements to improve comparability in financial statements. However, we are greatly concerned that, if finalized as proposed, the ED will impose significantly increased direct and indirect costs for the preparers, auditors and users of financial statements, particularly of U.S. reporting companies. Our chief concern is the requirement for footnote disclosure of a measurement uncertainty analysis to provide the potential effects on a Level 3 fair value measurement if one or more of the unobservable inputs used are substituted with other reasonable alternative inputs ("sensitivity requirements"). We believe that the footnotes should be management's forum to describe and support the judgments, inputs and valuation techniques used to measure instruments at the balance sheet date. In our view, incorporating these sensitivity requirements in the footnotes undermines the auditor's opinion that the financial statements are fairly stated and will result in redundant disclosure (particularly for public companies that already provide such information in the spirit of Securities and Exchange Commission (SEC) rules regarding critical accounting estimates) that will

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unnecessarily expose all companies to significant litigation risk when actual results vary from amounts illustrated.

Furthermore, if the FASB's ED, "Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities" is issued as proposed, our concern is further amplified as more financial assets and liabilities will be reported at fair value on a recurring basis, many of which may be categorized as Level 3 fair value measurements, such as mortgage loans, partnership investments and long-term debt. This will significantly increase the number of instruments subject to these additional disclosure requirements resulting in excessive disclosures and further increasing litigation risks and preparation costs to companies. These concerns and related recommendations are detailed below.

## Measurement Uncertainty Analysis

The ED indicates that because many users have concerns about the reliability of the estimates of fair value measurements that use significant unobservable inputs (Level 3 category), information about the measurement uncertainty inherent in these fair value measurements would be beneficial. As a registrant with the SEC, CIGNA has provided similar disclosures in Management's Discussion and Analysis (MD&A) within the Company's regular financial filings. Specifically, as part of our discussion about critical accounting estimates, CIGNA has disclosed the effect of unfavorable changes in various uncertain assumptions used to estimate amounts included in its Consolidated Balance Sheets, including fair value measurements of certain financial instruments classified as Level 3. We are supportive of disclosing such information and do provide such information in the MD&A section of our SEC filings when estimates and assumptions are made that are uncertain and the changes resulting from alternative estimates could have a material effect on operations or financial condition because we view it as useful to the users of financial information. However, we believe that requiring such information to appear in the financial statements would be redundant and repetitive for users and investors.

We believe that including Level 3 sensitivity disclosures in the *footnotes* could significantly increase the litigation risk and expense to the company without the commensurate benefit to the user. Currently forward-looking statements discussed in the MD&A, including the information referred to above, are protected by the Safe Harbor for Forward Looking Statements under Section 21E of the Securities and Exchange Act of 1934. The protection provided under Section 21E deters frivolous and meritless suits in private securities litigation. Because this protection does not extend to the financial statements, we are greatly concerned that placement of such disclosures in the footnotes would subject the preparers, auditors and users of financial statements of public reporting entities to the costs of litigation when the alternative unobservable inputs selected for disclosure develop in a manner different than illustrated. The Section 21E, "safe harbor" protections are important in order to provide relevant, useful financial information in a cost beneficial manner. Without these protections, public reporting entities may not be able to access capital in a cost effective manner.

Although the IASB has similar disclosure requirements, we believe that the current IASB standard fails to take into account the adversarial system of justice in the United States and the legislative safeguard that the Congress put into place to protect preparers, auditors and

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users of public company financial information from some of the abuses of this system. We believe that the FASB should not extend this failure by expanding disclosure requirements under U.S. GAAP as proposed.

The Company opposes the proposed requirement to disclose additional information regarding the correlation between various unobservable inputs. When measuring complex financial assets or liabilities that contain multiple observable and unobservable inputs using stochastic modeling, it is conceivable that the unobservable inputs are more correlated to the observable inputs than other unobservable inputs (i.e. for guarantees with living benefits, lapse rates may be more related to movements in capital markets than another unobservable input, such as mortality expectations). To disclose only potential changes in unobservable inputs is only part of the equation, and therefore, such additional disclosure may not help the users of the financial statements to fully comprehend the complete picture. For certain financial instruments, it is more than likely that their fair values will develop differently in future periods, largely due to changes in observable inputs. Therefore, additional disclosures of unobservable inputs and their correlations could be misleading for these financial instruments and, therefore, expose companies to additional litigation risk. The sensitivities of both observable and unobservable inputs to possible adverse scenarios are best individually disclosed in the Critical Accounting Estimates section of the Company's MD&A.

Compounding potential additional litigation costs, the proposal to include such disclosures within the audited financial statements will require auditor examination with the additional associated protocols, controls and costs necessary for auditor assurance to be provided. As stated above, it is our view that the footnotes should be management's forum to describe and support the judgments, inputs and valuation techniques used to measure instruments at the balance sheet date, and the auditor's opinion is rendered based on the validity of these very judgments. We believe that the efforts and resources of the company are better spent in developing alternative assumptions, and documenting the impact of the alternatives in simple, clear disclosures for critical accounting estimates, as we do today in MD&A. We also believe that the efforts of auditors are far better spent on substantive audit processes associated with the estimates and amounts underlying the financial statements.

Furthermore, we believe these proposed disclosures will have a significantly greater negative impact under the FASB's current and proposed accounting model for financial instruments due to the fact that many more financial assets and liabilities would be subject to these requirements than under IFRS. We do not believe that the proposed sensitivity requirements as illustrated in the ED will provide meaningful, decision-useful information to financial statement users. In fact, we believe the additional disclosures will only serve to confuse or overwhelm users and detract from important information provided in the footnotes.

Consistent with these concerns, we recommend that the final requirements exclude disclosures of the effects of using alternative unobservable inputs to determine fair value measurements.

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Mary T. Hoeltzel (NR)

## Transfers Between Levels in the Fair Value Hierarchy

The ED proposes to modify the threshold for disclosing transfers between levels in the fair value hierarchy from when significant to all transfers. This proposal is contrary to the concept of materiality. We believe that disclosing all transfers, and the reasons for those transfers, will only serve to confuse or overwhelm users and detract from important information provided in the footnotes.

If we can provide further information or clarification of our comments, please call me (215-761-1170) or Nancy Ruffino (860-226-4632).

Sincerely,

Mary T. Hoeltzel