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September 3, 2010

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Mr. Russell G. Golden, Technical Director
File Reference No. EITF 090G
Financial Accoutning Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Golden:

CIGNA Corporation appreciates the opportunity to share our views on the Financial Accounting Standards Board's (FASB) Staff Draft of the proposed Accounting Standards Update of Topic 944, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* ("proposed Staff Draft"). CIGNA is one of the largest investor-owned health care and related benefits organizations in the United States. Key product lines include medical coverages and related specialty health care products and services such as pharmacy, behavioral health, dental benefits and disease management; group disability, life and accident insurance and related case management services; and International life, accident, supplemental health and expatriate health care products and services. In addition, CIGNA has corporate-owned life insurance product lines.

Our comments regarding this proposed Staff Draft are summarized immediately below, followed by a more in-depth discussion:

- In light of the significant changes in the tentative conclusions reached in the joint project with the International Accounting Standards Board (IASB) on insurance contracts (the "Joint Project"), the conclusions of the FASB as to acquisition costs eligible for deferral in this proposed Staff Draft should be reconsidered.
- Incremental costs, such as variable compensation, should be deferrable by reference to the proposed model in the IASB's recent exposure draft for insurance contracts (and the FASB's tentative agreement with this conclusion), rather than allocated between successful and unsuccessful efforts by reference to the model used generally for financial instruments in Accounting Standards Codification ("ASC") Section 310-20.

<u>Joint Project on Insurance Contracts:</u> While we appreciate the FASB's objective to address diversity in practice regarding the interpretation of costs for deferral, in this case, we believe that the FASB would achieve their objective of reducing diversity most simply and within a reasonable time period by conforming their proposed Staff Draft with the tentative conclusions developed by the FASB and IASB in their joint project to develop a single global standard on accounting for insurance contracts. Since the release of the FASB's December 2009 proposal, there have been significant developments in the Joint Project that should be considered before finalizing this proposal. For long duration contracts, the IASB and FASB have tentatively agreed that incremental acquisition costs should be included in the determination of the fulfillment cash flows upon initial recognition of the insurance contract, meaning that such costs are no longer expensed immediately, but instead, reduce the composite margin (FASB approach) or residual margin (IASB

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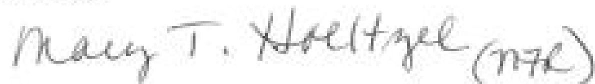
approach) which is subsequently amortized to earnings. This tentative conclusion is a significant change from their previous tentative conclusion that acquisition costs should be expensed as incurred. At this point in time, the tentative definition and accounting treatment contemplated in the Joint Project is significantly different from current US GAAP guidance as well as the definition in this proposed Staff Draft. We believe that the definition of incremental costs, under this proposal and the Joint Project, should be consistent and include internal and external direct and reasonably allocable costs attributable to the acquisition or renewal of an insurance contract.

In addition, we are greatly concerned with the timing of this proposed Staff Draft (which has a proposed effective date of January 1, 2012) when it is expected to be superseded by the FASB's final guidance on insurance contracts, potentially as soon as 2014. Given the limited life of this proposal, and the significant implementation costs to develop systems to track successful versus unsuccessful acquisition costs for this limited effective period, we recommend that the scope of this project be narrowed to address advertising costs or conformed with the tentative conclusions of the Joint Project. Furthermore, in aligning the current proposed Staff Draft with the Joint Project, we believe that financial statement users will be best informed and least confused by avoiding successive changes in the accounting and reporting model for insurers.

Application of ASU 310 -20 (formerly SFAS 91) Guidance for Variable Compensation: While we agree with the use of a model similar to the accounting for loan origination costs to identify the types of costs incurred in the acquisition of new and renewal insurance contracts that would be eligible for capitalization, we strongly disagree with the application of the model for variable compensation. We believe that the deferral of an incremental cost that is linked to the acquisition of a successful contract is an appropriate cost to defer, irrespective of whether the cost is incurred in a transaction with an independent third party or an employee. We also believe that the allocation of commission paid to an employee for successful efforts, based on time spent on those successful versus unsuccessful efforts, does not portray the economics of this type of employee compensation. In the case of our business model, it is a fact that commissions paid to an employee for successful efforts is incremental and would not have been incurred had the contract not been successfully acquired or renewed. We believe there is no difference between this payment and a payment to an external third party contractor, and there is no logical basis or rationale for the proposed Staff Draft to create such a distinction. This approach will cause different reported results among companies that incur similar costs through dissimilar sales models. This information will serve to inappropriately confuse the users of financial information, not reduce diversity in accounting practice. As noted above, we believe the current Joint Project appropriately does not intend to use this loan origination cost model to determine eligibility of deferrable costs and recommend that the FASB follow the approach of the Joint Project in this proposal.

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

Sincerely,



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