Technical Director – File Reference No. 2013-220  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116  

Via email: director@fasb.org  

Re: File Reference No. 2013-220  
Exposure Draft: Proposed Accounting Standards Update, Financial Instruments –  
Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and  
Financial Liabilities, dated February 14, 2013  

Dear Sir or Madam:  

WellPoint, Inc. is one of the largest health benefits companies in the United States,  
serving 35.8 million medical members through our affiliated health plans and  
approximately 68.0 million individuals through all subsidiaries as of March 31, 2013.  
We earned over $61.7 billion in total revenues for the year ended December 31, 2012.  
We held available-for-sale investments with an estimated fair value of $19.7 billion at  
March 31, 2013, of which 93% were fixed maturity securities and 7% equity securities.  
We also held other invested assets including limited partnerships, joint ventures and other  
on-controlled corporations totaling $1.5 billion at March 31, 2013. Therefore, the  
proposed guidance discussed herein is very important to our financial statements.  

We appreciate the opportunity to comment on the Financial Accounting Standards Board  
(the “Board”) Proposed Accounting Standards Update, Financial Instruments – Overall  
Liabilities (the “Proposed ASU”).  

Summary  

We commend the Board on its ongoing efforts to revise and improve accounting  
standards on accounting for financial instruments. While we generally agree with a  
number of provisions of the Proposed ASU, we disagree with the proposals that all  
changes in equity investments with readily determinable fair values should be recorded  
through net income (“FVNI”) as well as the elimination of bifurcation requirements for  
hybrid financial assets. We also have concerns that the proposed contractual cash flow  
characteristics test and business model assessment will add significant and unnecessary  
complexity to the accounting process.
Comments

We have chosen not to comment on the specific questions asked by the Board in the Proposed ASU. Rather, we are commenting on certain categories in the Proposed ASU, which are described below for your consideration.

Classification and Measurement of Debt Instruments

We have concerns regarding the requirements surrounding the contractual cash flow characteristics test and business model assessment approach. We have a number of different types of debt instruments in our portfolio. The proposed new classification and measurement approach for debt instruments would require a significant amount of cost and effort to perform the complex and in-depth analysis necessary to account for each debt instrument appropriately under the Proposed ASU. We do not believe the benefits of these changes outweigh the cost and effort necessary to implement and maintain this model.

Classification and Measurement of Equity Investments

We support the concept that most financial instruments should be recorded at fair value. However, we disagree with the proposal that, by default, changes in the equity securities with readily determinable fair values should be recorded through net income.

As a health insurer, the primary purpose of our investment portfolio is preservation of capital to meet the underwriting obligations to our members, and to invest any excess capital to maximize total return. Securities in our equity investment portfolio are generally held for multiple years, reflecting a long-term investment approach. Recording changes in fair value through net income immediately for investment securities that are intended to be held for long-term purposes creates unnecessary volatility in our income statement and would be detrimental to the users of the financial statements. As users are analyzing earnings and other financial trends, they would likely make adjustments to remove the impacts of FVNI accounting in order to better assess the financial performance of the company. As such, FVNI accounting would not be enhancing or providing benefits to the users.

In addition, under guidance for accounting for insurance contracts, medical claims liabilities are not recognized at fair value. Accordingly, we believe requiring the recognition of fair value changes through the income statement of certain of the financial instruments that support our underwriting obligations would result in a financial statement mismatch within the income statement.

In our opinion, FVNI is not the appropriate accounting for investment securities, and we believe that the default accounting method for all financial instruments, both debt and equity, should be fair value through other comprehensive income ("FVOCI"). Investment securities that are carried at FVOCI are currently subject to periodic impairment testing. To the extent there are impairments of equity securities or debt
securities (credit related), changes in fair value are recorded in net income. Additionally, the recently adopted guidance pertaining to the statement of comprehensive income provides increased prominence and visibility in financial statements of the activity within other comprehensive income.

FVNI would only be appropriate for financial instruments that are held for sale in the short-term or otherwise managed on a FVNI basis, such as investment securities held in a trading portfolio and investment securities where the holder has the current intent to sell.

Bifurcation Requirement for Hybrid Instruments

We do not support the proposed elimination of the embedded derivative bifurcation requirement. While we recognize that the Proposed ASU would reduce some complexity, we believe it would cause unwarranted volatility in the income statement. Much like our concern regarding the proposals surrounding equity securities, we do not believe subjecting the entire hybrid financial asset to recording fair value changes through net income is appropriate. Changes in fair value for the host contract should be accounted for consistent with the guidance in effect based on its underlying characteristics.

Effective Date

The Proposed ASU represents a significant change to the accounting for financial instruments. Accordingly, we believe that the effective date of any final standard issued should be determined only after extensive review of all comments received, widespread field testing and consideration of companies’ analyses of implementation costs.

Conclusion

We believe that certain of the proposed changes regarding accounting for financial instruments in the Proposed ASU do not improve the accounting for those instruments. The current FASB accounting guidance for financial instruments generally captures the economic substance of the financial instruments and provides for proper accounting and financial reporting. In addition, the cost and effort that would be required to implement the proposed changes would outweigh the benefits.

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We appreciate the opportunity to provide comments on the Proposed ASU and hope the Board will consider our comments. Should you have any questions or wish to discuss this letter with us, please feel free to contact me directly at 317/488-6109.

Very truly yours,

WellPoint, Inc.

[Signature]

John E. Gallina
Senior Vice President,
Chief Accounting Officer,
Controller, and Chief Risk Officer

Copy to: Joseph R. Swedish
Chief Executive Officer

Wayne S. DeVeydt
Executive Vice President and
Chief Financial Officer