



March 30, 2009

Mr. Russell Golden  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5446  
Norwalk, CT 06856-5116



LETTER OF COMMENT NO.

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LETTER OF COMMENT NO.

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File References: Proposed FSP FAS 157-e and  
Proposed FAS 115-a, FAS 124-a, and EITF 99-20-b

Dear Mr. Golden:

Aetna Inc. ("Aetna") appreciates the opportunity to provide our views on the Financial Accounting Standards Board's ("FASB" or the "Board") proposed Staff Positions ("FSP"), No. FAS 157-e, *"Determining Whether a Market Is Not Active and a Transaction Is Not Distressed,"* and No. FAS 115-a, FAS 124-a, and EITF 99-20-b, *"Recognition and Presentation of Other-Than-Temporary Impairments."* We are one of the nation's leading diversified health care benefits companies, offering a broad range of traditional and consumer-directed health insurance products and related services. At December 31, 2008, we had approximately \$16.9 billion of invested assets, which included approximately \$14.0 billion of debt and equity securities designated as available-for-sale.

We agree with the provisions of the proposed FSPs and support the FASB's efforts to expedite the final issuance of these documents. Given the continued volatility in the global economy and its impact on measuring debt securities, we believe such guidance is prudent and timely.

On January 15, 2009, we provided our views on the proposed FSP No. FAS 107-a, *"Disclosures about Certain Financial Assets: An Amendment to FASB Statement No. 107."* In that comment letter, we shared our concern that the current accounting guidance for the measurement and impairment of investment securities does not result in the best representation of future cash flows, particularly when markets experience periods of irrational pricing, such as what we are currently experiencing. During these periods, we believe the application of current accounting guidance can grossly misstate the value of assets and earnings measurements are distorted.

We offer the following comments on the questions posed in the proposed FSPs:

**Proposed FSP No. FAS 157-e**

1. *Is the proposed effective date of interim and annual periods ending after March 15, 2009, operational?*

We believe the proposed effective date could be operational if the FASB votes to finalize the proposed FSPs with little or no changes from its current proposal shortly after April 1, 2009.

Aetna's fiscal year ends on December 31. In its proposed state, this FSP will be effective for our first quarter 2009 interim financial statements. In order to meet our commitments to message our first quarter earnings results and filing requirements with the U.S. Securities and Exchange Commission, we strive to finalize our financial results within the first several days of each quarter. As a result, if the FASB votes to finalize this FSP by April 6, 2009, we expect we will be able to implement it in our first quarter financial statements.

However, we would not object to an effective date of interim and annual periods ending after June 15, 2009 with a provision that permits reporting entities to adopt this FSP in earlier periods.

2. *Will this proposed FSP meet the project's objective to improve financial reporting by addressing fair value measurement application issues identified by constituents related to determining whether a market is not active and a transaction is not distressed? Do you believe the amendments to Statement 157 in this proposed FSP are necessary, or do you believe the current requirements in Statement 157 should be retained?*

During the latter half of 2008 and continuing in 2009, financial markets have experienced significant volatility adversely impacting the pricing of some of our debt securities. Since we classify our debt securities as available-for-sale, we carry these investments on our balance sheet at fair value. Most of our debt securities rely on fair value assumptions that are based on FAS 157 Level 2 inputs. In certain limited cases, we have observed that quoted prices for similar assets are available, but we have questioned whether the quoted prices are based on markets that would be considered "active."

We believe the amendments to FAS 157 provide sufficient guidance to determine whether a market is active. However, as discussed in our response to the following question, we do not believe the second step proposed is necessary.

3. *Do you believe the proposed two-step model for determining whether a market is not active and a transaction is not distressed is understandable and operational? If not, please suggest alternative ways of identifying inactive markets and distressed transactions.*

We agree that the factors listed in step 1 would help indicate if a market is not active. Applying this guidance will require significant judgment; but we believe the guideline indicators listed are understandable and operational.

As described in the proposal, once a reporting entity concludes in Step 1 that the market for the asset is not active, the reporting entity must presume that a quoted price is associated with a distressed transaction. Accordingly, we believe that it will be burdensome and difficult to evidence that the quoted price in an inactive market is not distressed. Therefore, we do not believe Step 2 of the proposed FSP is necessary and recommend that it be removed when the final guidance is issued.

4. *Are the factors listed in paragraph 11 of the FSP that indicate that a market is not active appropriate? Please provide any other factors that indicate that a market is not active.*

We believe the factors are appropriate.

5. *What costs do you expect to incur if the Board were to issue this proposed FSP in its current form as a final FSP? How could the Board further reduce the costs of applying the requirements of the FSP without reducing the benefits?*

We do not expect to incur material costs to implement the proposed FSP.

Overall, we are supportive of this FSP. We believe that the process proposed by the FASB provides a rational methodology for determining whether the market for a security is inactive. Also, we are supportive of the Board's decision to allow for the use of alternative valuation techniques to determine fair value of the impacted security rather than using depressed market values that does not reflect the underlying economics of the investment.

**Proposed FSP No. FAS 115-a, FAS 124-a, and EITF 99-20-b**

1. *This proposed FSP would require entities to separate an other-than-temporary impairment of a debt security into two components when there are credit losses associated with an impaired debt security for which management asserts that it does not have the intent to sell the security and it is more likely than not that it will not have to sell the security before recovery of its cost basis. The two components would be (a) the credit component and (b) the noncredit component. Does this separate presentation provide decision-useful information?*

We agree that separating an other-than-temporary impairment into the two components proposed is appropriate and will provide decision-useful information to financial statement users.

We do not agree that this information should be presented in the proposed format on the face of the income statement. Presenting this information on the face of the financial statements would add to the complexity of the basic financial statements, potentially rendering them disjointed and incomprehensible. Rather, we believe entities should have the option to present this information in a footnote to the financial statements. Presenting this information in the footnotes will allow entities to provide context around its impairment decision-making and key inputs used.

2. *This proposed FSP would require that the credit component of the other-than-temporary impairment of a debt security be determined by the reporting entity using its best estimate of the amount of the impairment that relates to an increase in the credit risk associated with a specific instrument. One way of estimating that amount would be to consider the measurement methodology described in paragraphs 12-16 of FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan. For debt securities that are beneficial interests in securitized financial assets within the scope of Issue 99-20, the amount of the total impairment related to credit losses would be determined considering the guidance in paragraph 12(b) of Issue 99-20. Do you believe this guidance is clear and operational? Do you agree with the requirement to recognize the credit component of an other-than-temporary impairment in income and the remaining portion in other comprehensive income? Under what circumstances should the remaining portion be recognized in earnings?*

We believe the proposed guidance for determining the credit component of the other-than-temporary impairment of a debt security is clear and operational.

Furthermore, we agree that the credit component of an other-than-temporary impairment should be recognized in earnings and the remaining portion in other comprehensive income, unless the entity has intent to sell the security or it is more likely that it will be sold before the remaining portion is recovered.

3. *This proposed FSP modifies the current indicator that, to avoid considering an impairment to be other than temporary, management must assert that it has both the intent and ability to hold an impaired security for a period of time sufficient to allow for any anticipated recovery in fair value. The Board believes that, compared to current requirements, it is more operational for management to assert that (a) it does not have the intent to sell the security and (b) it is more likely than not that it will not have to sell the security before its recovery. Does this modification make this aspect of other-than-temporary impairment assessment more operational? Should this modification apply to both debt and equity securities? Will this change result in a significant change to the assessment of whether an equity security is other-than-temporarily impaired?*

We agree that this modification makes the assessment of an other-than-temporary impairment more operational than current guidance for both debt and equity securities.

In accordance with current accounting standards, we evaluate our investment holdings that are in an unrealized loss position to determine if sufficient market recovery can occur within a reasonable period of time. In recent periods, we determined that most of our debt securities were in an unrealized loss position due to the widening of credit spreads; but not actual credit concerns; hence we determined that most would recover in value to at least our book value. In the absence of our ability to determine when credit spreads will tighten, we assumed that such recovery in value may not become evident until the debt security reaches maturity. In the year ended December 31, 2008, we recorded \$502 million of other-than-temporary impairment losses that were due to noncredit related reasons even though we did not have the intent to sell these securities. Current guidance nonetheless required us to take an other-than-temporary impairment on such securities notwithstanding that they are performing assets generating investment income to support the needs of our businesses.

We do not believe that the current accounting guidance for the measurement and impairment of investments securities results in the best representation of future cash flows; particularly when markets experience periods of irrational pricing, such as what we are currently experiencing. During these periods, application of this accounting guidance can grossly misstate the value of assets and earnings measurements are distorted. The proposed guidance provides more accurate information on the underlying economics of our business.

4. *This proposed FSP would require that the portion of an impairment recognized in other comprehensive income for held-to-maturity securities be amortized over the remaining life of the debt security in a prospective manner based on the amount and timing of future estimated cash flows by offsetting the recorded value of the asset. Do you agree with this requirement?*

We do not currently classify any of our debt securities as held-to-maturity and offer no comments on this question.

5. *Is the proposed effective date of interim and annual periods after March 15, 2009, operational?*

Please refer to our response to question 1 of proposed FSP No. FAS 157-e, above.

We offer the following comments on the alternative view presented in the proposed FSP:

*Alternative View*

We do not agree with the notion that the release of the FSP FAS 157-e will negate the need for this FSP. FSP FAS 157-e focuses on securities that are in an inactive market with a distressed price therefore that guidance will not address all situations for noncredit related impairments.

We also acknowledge and support the FASB and IASB's project to address other-than-temporary impairments on a larger scale. We intend to monitor and, where applicable, actively participate in this project. However, we believe that issuance of this FSP is necessary in the current market environment, as it is a pragmatic short term solution to the problem for the recognition and measurement of noncredit-related other-than-temporary impairments.

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We would be pleased to discuss our comments further with you or members of your staff. If you have any questions, please feel free to contact me.

Sincerely,



Rajan Parmeswar  
Vice President, Controller and Chief Accounting Officer