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Susan M. Cosper
Technical Director
File Reference No. 2012-200
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116
United States of America
Via email: director@fasb.org

September 21, 2012

Dear Ms. Cosper:

Re: Reference No. 2012-200 Exposure Draft – Disclosures about Liquidity Risk and Interest Rate Risk

Aetna Inc. ("Aetna", "we", "our", or "us") appreciates the opportunity to provide our views on the Financial Accounting Standards Board (the "FASB" or the "Board") Exposure Draft, *Disclosure about Liquidity Risk and Interest Rate Risk* (the "ED"). 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, 2011, we had approximately \$20.3 billion of invested assets. Given the size of our investment portfolio, we not only consider ourselves a preparer of financial statements, but also a user as we have an internal team of investment analysts and traders that manage this portfolio. The comments noted below reflect both perspectives.

Aetna recognizes that the ED is in response to users request for providing decision-useful information, however, we submit that the current ED presents operational issues, specifically by introducing judgmental concepts such as "expected maturity" and "high-quality" into footnote disclosures about liquidity and interest rate risk that historically have appropriately resided in Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"). Without further clarification of those concepts we believe the disclosures in the ED will result in inconsistencies within the financial statements as well as unwanted diversity in practice among issuers. We also believe the introduction of those disclosures into our footnotes

will result in a less efficient audit process in view of the subjectivity that will be introduced by these requirements. Lastly, we believe there are redundancies between the ED and the existing disclosures required by United States Generally Accepted Accounting Principles ("GAAP") or the United States Securities and Exchange Commission ("SEC"). We suggest the Board consider those redundancies when assessing the extent and decision usefulness of the proposed disclosures as well as the cost versus benefit of the proposed ED. The following paragraphs contain our views on each of the ED's proposed disclosures.

<u>Liquidity risk disclosures</u>

The concept of "expected maturity" applied in the liquidity gap maturity analysis presents operational challenges and likely will result in inconsistencies within the financial statements as well as diversity in practice among preparers. We further believe that this analysis substantially duplicates existing disclosures and will present challenges when subject to audit.

Regarding the expected maturity concept, at December 31, 2011, we had over \$20.3 billion of investments which we would have to evaluate and make informed decisions as to whether each investment has prepayment and/or other contractual terms which may result in settlement prior to maturity. Such evaluations and decisions would need to be considered upon adoption as well as on an ongoing basis. The expected maturity will be judgmental and likely can and/or will vary significantly from one reporting period to the next. Furthermore, applying the concept of expected maturity, and the judgments inherent within it, may result in inconsistencies between the liquidity gap table and the contractual obligations table currently disclosed in the MD&A, as well as other financial statement footnote disclosures: contractual maturities of debt securities (including separate disclosures for those in an unrealized loss position), five-year receivable repayment schedule, debt and capital lease maturity schedules, off-balance sheet five-year payment schedules (e.g., operating lease and other payment obligations, etc.), contractual maturity schedules. Furthermore, due to the differing requirements within the proposed ED and the disclosures currently required, this will necessitate reconciling these disclosures resulting in additional costs for preparers.

To ensure consistency exists internally between financial statements disclosures as well as externally amongst filers, we recommend that the liquidity gap maturity analysis schedule be prepared based on either contractual maturity or for certain financial assets, based on investments weighted average duration, and absent a contractual settlement, the expected maturity should be utilized.

Additionally, we note that there is a significant amount of existing disclosure regarding contractual maturity in our financial assets, liabilities, and off balance sheet commitments. Examples of these disclosures include the contractual obligations table in the MD&A, as well as financial statement footnote disclosures as described above. The Board should take existing disclosures into consideration when evaluating the cost versus benefit of the incremental disclosures proposed in the ED.

With respect to auditing the liquidity gap table, we believe that judgments and assertions regarding expected maturity will be inherently subjective and create inefficiencies to audit and will likely lead to disproportionate amounts of time and cost incurred in order to verify expected maturity assertions.

Regarding the available liquid funds table, we believe the concept of "high-quality" in relation to a preparer's liquid assets lacks sufficient definition and thus may lead to unwanted inconsistencies and diversity in practice. We suggest clarification of the type of financial assets to be included in the table. For example, are equity or investment-grade corporate debt securities that trade in liquid markets and classified as level 1 or level 2 in the fair value measurements disclosure deemed high-quality? We also suggest parameters to guide a preparer in assessing when instruments should be considered high-quality. Absent those clarifications we anticipate inconsistencies in practice as well as audit inefficiencies as, similar to the judgments made in estimating expected maturity, the concept of high-quality introduces elements of judgement into the footnotes that will drive increased time and costs as our auditors verify quality assertions.

Similar to our suggestion with respect to the liquidity gap table, we suggest the Board consider the cost versus benefit of the available liquid funds table. Information in our existing footnote disclosures, particularly within the investments and debt footnotes, allow a user to assess the amount of liquid assets and availability of capital. Furthermore, as an insurer, we have statutory risk-based capital and surplus requirements as well as dividend restrictions at our regulated subsidiaries, which are the primary restrictions on our use of liquid assets, and are disclosed on a continuous basis in our U.S. GAAP financial statements as well as in significant detail in our individual regulated entity quarterly statutory filings. Therefore, considering the existing disclosures, we question whether there is sufficient incremental benefit to justify the available liquid funds table.

Interest rate risk disclosures

We believe that prepares will need to separately make their own assessments of the usefulness of the repricing gap analysis in light of their own businesses. In our case, as a health insurer and considering the nature of our investment portfolio, we do not believe the proposed repricing gap analysis will provide relevant information for users of our financial statements. For the predominate balance of our financial assets, interest rates do not contractually reset and therefore, the repricing date will be substantially the same as the contractual maturity date. Additionally, substantially all of our health care products (health care premiums represented greater than 93% of our total company premiums in 2011) are short duration, and greater than 90% of our health care claims incurred are paid and settled within three months so there are no associated interest-bearing liabilities. As a result, the time intervals displayed in the repricing gap analysis are likely to closely approximate contractual maturity, and those contractual maturities are largely disclosed elsewhere, particularly for our financial assets. As a result, the incremental value of the repricing gap analysis is questionable.

Finally, the proposed interest rate sensitivity table will be misleading to the users of our financial statements. As described above, for our health business, substantially all of our liabilities are settled within three months, and for certain of our long duration insurance liabilities (future policy benefits), the interest rate is fixed at the outset of the arrangement and remains fixed unless a premium deficiency reserve is identified. As such, hypothetical changes in interest rates will have no impact to these aforementioned liabilities, while the majority of the investments (primarily debt securities) that support these liabilities will fluctuate based on these hypothetical interest rate changes.

Furthermore, certain information required by the interest rate sensitivity table is redundant with quantitative disclosures about market risk information required by the SEC. Both the proposed interest rate sensitivity table and the SEC requirement for quantitative disclosure about market risk intend to provide users with information about the exposure of assets and liabilities to market fluctuations. However the basis for determining how to calculate and present that information differs and therefore may result in inconsistencies in data presented in the footnotes and MD&A. We believe users of financial statements will benefit from one standard for presenting quantitative disclosures about market risk and if users desire more robust market risk disclosures, then they should approach the SEC and recommend that market risk disclosures within the MD&A be amended.

Additionally, Aetna does have certain life, disability and long-term care reserves that are sensitive to interest rate fluctuations. We believe the proper placement for describing these risks should reside in the Critical Accounting Estimates of the MD&A. We adequately disclose the sensitivity to these risks in this section of our MD&A.

As a concluding and overarching comment, we believe the disclosures currently required in our financial statements are adequate and provide users with appropriate information about our exposure to liquidity and interest rate risk. However, if the Board proceeds with the ED, we recommend careful consideration of existing financial statement footnote and MD&A disclosures, as well as the significant amount of information (particularly cusip level detail of our investments) required in our quarterly statutory filings with the National Association of Insurance Commissioners (which are available to our investors and analysts) when assessing the incremental value of the proposed ED, as well as whether the ED creates redundancies or inconsistencies with information that is currently presented. Any assessment of the incremental value should also consider the significant costs preparers will incur to upgrade systems to aggregate information, and prepare, review and support the audit of the proposed disclosures.

Thank you for your attention to our concerns. Attached to this letter, we also included our responses to the detailed applicable questions proposed by the FASB in the ED. We hope that these perspectives are of value to your deliberation processes. If we can provide further information or clarification of our comments in the meantime, my contact information is listed below.

Sincerely,

Rajan Parmeswar

Aetna Inc.

Vice President, Controller and Chief Accounting Officer

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APPENDIX - Responses to the "Questions for Respondents"

Question 1: For a financial institution, the proposed amendments would require a liquidity gap table that includes the expected maturities of an entity's financial assets and financial liabilities. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response: Determining the expected maturity of our financial assets and financial liabilities creates significant operational concerns because selecting the timeframe for which the financial asset or liability is expected to mature is very subjective and time consuming. At December 31, 2011, we had approximately \$20.3 billion of investments which we would have to evaluate and make informed decisions as to whether each investment has prepayment and/or other contractual terms which may result in settlement prior to maturity. Such evaluations and decisions would need to be considered upon adoption and on an on-going basis. The expected maturity will be judgmental and likely can and/or will vary significantly from one reporting period to the next. Furthermore, applying the concept of expected maturity, and the judgments inherent within it, may result in inconsistencies between the liquidity gap table and the contractual obligations table currently disclosed in the MD&A, as well as various financial statement footnote disclosures as described in our letter. Furthermore, due to the differing requirements within the proposed ED and the disclosures currently required, this will necessitate reconciling the disclosures resulting in additional costs for preparers.

To ensure consistency exists internally between financial statements disclosures as well as externally amongst filers, we recommend that the schedule be prepared based on either contractual maturity or for certain financial assets, investments weighted average duration, and absent a contractual settlement, the expected maturity should be utilized.

Question 3: The proposed amendments would require information about expected maturities for financial assets and financial liabilities to highlight liquidity risk. Expected maturity is the expected settlement of the instrument resulting from contractual terms (for example, call dates, put dates, maturity dates, and prepayment expectations) rather than an entity's expected timing of the sale or transfer of the instrument. Do you agree that the term expected maturity is more meaningful than the term contractual maturity in the context of the proposed liquidity risk disclosures? If not, please explain the reasons and suggest an alternative approach.

Response: We disagree that expected maturity is more meaningful than contractual maturity. Refer to our response to question 1.

Question 4: The proposed amendments would require a quantitative disclosure of an entity's available liquid funds, as discussed in paragraphs 825-10-50-23S through 50-23V. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response: We do not foresee any operational concerns or constraints. However, we believe the concept of high-quality in relation to a preparer's liquid assets lacks sufficient definition and thus may lead to unwanted inconsistencies and diversity in practice. We suggest clarification of the type of financial assets to be included in the table. For example, are equity or investment-grade corporate debt securities that trade in liquid markets that are classified as level 1 or level 2 in the fair value measurements disclosure deemed high-quality? We also suggest parameters to guide a preparer in assessing high-quality. Additionally, as we described in our letter, the information required in the available liquid funds table already resides in our financial statements. This information is available in our investment-related footnote disclosures and/or our debt footnote disclosures. Furthermore, as an insurer, we have statutory risk-based capital and surplus requirements as well as dividend restrictions at our regulated subsidiaries, which are the primary restriction on our use of liquid assets, and are disclosed on a continuous basis in our U.S. GAAP financial statements as well as in significant detail in our individual regulated entity quarterly statutory filings.

Question 6: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to develop an understanding of your entity's exposure to liquidity risk? If not, what other information would better achieve this objective?

Response: As described in our letter, we believe the disclosures currently required in our financial statements adequately provide users with information on the exposure to liquidity risks of our Company. However, if the Board proceeds with the ED, we recommend careful consideration of existing financial statement footnote and MD&A disclosures, as well as the significant amount of information (particularly cusip level detail of our investments)

required in our quarterly statutory filings with the National Association of Insurance Commissioners (which are available to our investors and analysts) when assessing the incremental value of the proposed ED as well as whether the ED creates redundancies or inconsistencies with information that is currently presented. Any assessment of the incremental value should also consider the significant costs preparers will incur to upgrade systems to aggregate information, and prepare, review and support the audit of the proposed disclosures.

Question 13: The interest rate risk disclosures in this proposed Update would require a repricing gap table. Do you foresee any significant operational concerns or constraints in complying with this requirement? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

Response: We do not foresee any operational concerns or constraints. However, as we described in our letter, as a health insurer, the proposed repricing gap analysis, for the most part would not provide relevant information for users of our financial statements. Predominately, interest rates do not contractually reset on our financial assets and therefore, the repricing date will be substantially the same as the contractual maturity date. Additionally, substantially all of our health care products (health care premiums represented greater than 93% of our total company premiums in 2011), are short duration, and greater than 90% of our health care claims incurred are paid and settled within three months so there are no associated interest-bearing liabilities. As a result, we would recommend insurers that do not have significant repricing risk, should not have to comply with this requirement.

Question 14: The interest rate risk disclosures in this proposed Update would include a sensitivity analysis of net income and shareholders' equity. Do you foresee any significant operational concerns or constraints in determining the effect of changes in interest rates on net income and shareholders' equity? If yes, what operational concerns or constraints do you foresee and what would you suggest to alleviate them?

We do not foresee any operational concerns or constraints. However, as we described in our letter, the proposed interest rate sensitivity table will be misleading to the users of our financial statements. For our health business, substantially all of our liabilities are settled within three months, and for certain of our long duration insurance liabilities (future policy benefits), the interest rate is fixed at the outset of the arrangement and remains fixed unless a premium deficiency reserve is identified. As such, hypothetical changes in interest rates will have no impact to these aforementioned liabilities, while the majority of the investments (primarily debt securities) that support these liabilities will fluctuate based on these hypothetical interest rate changes.

Furthermore, the proposed interest rate sensitivity table is vastly redundant with the SEC's Quantitative and Qualitative Disclosures About Market Risk MD&A disclosure requirement. We believe if users of financial statements are not satisfied with the current disclosure required by the SEC, they should approach the SEC to amend this disclosure to meet their needs.

Additionally, Aetna does have certain life, disability and long-term care reserves that are sensitive to interest rate fluctuations. We believe the proper placement for describing these risks should reside in the Critical Accounting Estimates of the MD&A. We adequately disclose the sensitivity to these risks in that section of our MD&A.

Question 15: As a preparer, do you feel that the proposed amendments would provide sufficient information for users of your financial statements to understand your entity's exposure to interest rate risk? If not, what other information would better achieve this objective?

Response: As described in our letter, we believe the disclosures currently required in our financial statements adequately provide users with information on the exposure to interest rate risks of our Company. However, if the Board proceeds with the ED, we recommend careful consideration of existing financial statement footnote and MD&A disclosures, as well as the significant amount of information (particularly cusip level detail of our investments) required in our quarterly statutory filings with the National Association of Insurance Commissioners (which are available to our investors and analysts) when assessing the incremental value of the proposed ED as well as whether the ED creates redundancies or inconsistencies with information that is currently presented. Any assessment of the incremental value should also consider the significant costs preparers will incur to upgrade systems to aggregate information, and prepare, review and support the audit of the proposed disclosures.

Question 21: Although the proposed amendments do not have an effective date, the Board intends to address the needs of users of financial statements for more information about liquidity risk and interest rate risk. Therefore, the Board will strive to make these proposed amendments effective on a timely basis. How much time do you think stakeholders would require to prepare for and implement the amendments in this proposed Update? Should nonpublic entities be provided with a delayed effective date? If so, how long of a delay should be permitted and why?

Are there specific amendments that would require more time to implement than others? If so, please identify which ones and explain why.

Response: We believe we need at least one year from the issuance of a final standard to accurately implement these disclosure requirements. While a significant portion of this information resides on a very granular level, significant costs would be incurred to upgrade systems to aggregate and provide the information required in the ED.

Question 22: Do you believe that any of the amendments in this proposed Update provide information that overlaps with the SEC's current disclosure requirements for public companies without providing incremental information? If yes, please identify which proposed amendments you believe overlap and discuss whether you believe that the costs in implementing the potentially overlapping amendments outweigh their benefits? Please explain why.

Response: As described in questions 1, 14 and 15 above, we believe there is significant overlap with the MD&A Contractual Obligations Table, Critical Accounting Estimates, and Quantitative and Qualitative Disclosures About Market Risk. We believe each of these disclosure requirements provides users with adequate information on the future liquidity and interest rate risks of our Company.