



# WELLPOINT

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Indianapolis, IN 46204-4903

February 6, 2009

Florence E. Harmon  
Acting Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090



Re: Proposed Rule -- Roadmap for Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers, or Roadmap, File No. S7-27-08

Dear Ms. Harmon:

WellPoint, Inc., or WellPoint, is the largest health benefits company in terms of medical membership in the United States, serving 35 million members as of December 31, 2008 and with total revenues of \$61.3 billion for the year ended December 31, 2008. WellPoint appreciates the opportunity to comment on the Securities and Exchange Commission's, or Commission's, proposed rule, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance with International Financial Reporting Standards by U.S. Issuers* (File No. S7-27-08, Release Nos. 33-8982 and 34-58960).

### Summary – Addresses question 1 of the Roadmap

Wellpoint wishes to express its overall support for the Roadmap. In the global capital markets, investors have the ability to make investment decisions among domestic and foreign companies. Accordingly, investors would benefit from the ability to compare financial information of U.S. companies with that of non-U.S. companies. The milestones defined in the Roadmap are important to successful adoption of International Financial Reporting Standards, or IFRS, for U.S. issuers. These milestones are critical steps that must be achieved before U.S. issuers can adopt IFRS. Given their significance and complexity, we offer the following additional views and comments for your consideration.

### Comments

#### Consistent Application and Comprehensiveness of IFRS – Addresses question 2 of the Roadmap

It is widely held that IFRS are considered principles-based accounting standards, which may provide flexibility in an entity's interpretation of a given IFRS standard. Because the intention of IFRS is to provide a consistent set of global financial reporting standards, WellPoint believes it is appropriate to include the milestone related to Improvements in Accounting Standards

of IFRS is to provide a consistent set of global financial reporting standards, WellPoint believes it is appropriate to include the milestone related to Improvements in Accounting Standards (reference item III. A. 1. of the Roadmap) to ensure that the application of IFRS is consistently applied across organizations, industries and international boundaries in an effort to maintain financial reporting consistency and integrity.

The principles-based nature of IFRS also leads us to question whether IFRS, in their current form, are sufficiently comprehensive in nature for use by U.S. issuers. Existing IFRS standards that address several different areas of financial reporting, such as financial instruments and derivatives, contract accounting, pension or postretirement events, taxes, and other areas, represent a few examples that lead us to question the comprehensive nature of IFRS. We therefore recommend that the Commission include within this milestone an evaluation of the comprehensiveness of IFRS standards in their current form and the appropriateness of their use as such by U.S. issuers.

### **Develop Industry Specific Guidance – Addresses questions 59 and 63 of the Roadmap**

The Commission has stated its willingness to accept guidance from Commission sources, including Accounting Series Releases and Financial Releases, as well as Staff Accounting Bulletins and, if the issuer is engaged in certain lines of business, various Industry Guides (reference item V. D. 4. of the Roadmap). Given the Commission's acceptance of various Industry Guides, we challenge whether IFRS have evolved to the point where adequate industry specific guidance and standards relevant to IFRS have been developed. The ability for U.S. issuers to use Industry Guides could result in financial statements that are not consistent with issuers in other countries that cannot use the same Industry Guides. Accordingly, WellPoint recommends that in order to encourage consistent, comparable financial reporting, the Commission consider adding the development of industry specific guidance and standards by the International Accounting Standards Board, or IASB, as a milestone within the final Roadmap.

Additionally, because of the Roadmap's indicated acceptance of industry specific guidance, some of which reference U.S. Generally Accepted Accounting Principles, or U.S. GAAP, either directly or indirectly, we believe an inconsistency exists within the Roadmap as to whether U.S. GAAP will cease to exist upon acceptance of IFRS by the Commission. Provided U.S. GAAP does not cease to exist, the dual methodology of using U.S. GAAP and IFRS will be expensive and cumbersome to issuers. Developing the appropriate industry specific guidance as well as other relevant guidance may eliminate this inconsistency and the necessity to maintain the two types of accounting standards.

WellPoint also wishes to recognize the IASB's Phase 2 insurance contracts project and its timeline because of its relevance to our business. Although this item is not specifically addressed within the Roadmap, we want to stress the importance of the development of this specific technical accounting guidance. We believe that it is important to comment that the proposed timeline by the IASB (i.e., a November 2009 exposure draft release date with final issuance in May 2011, presumed to be effective 2013) should be strictly adhered to such that

insurers adopting IFRS for the first time will have a standard to follow. Timely development, approval and issuance of this standard is crucial for our industry's implementation of IFRS.

### **First Filing of IFRS Financial Statements – Addresses question 29 of the Roadmap**

The Roadmap currently proposes that issuers limit their first time IFRS filings with the Commission to annual reports on Form 10-K (reference item IV. C. of the Roadmap). WellPoint recommends that the Commission consider requiring an issuer to file its first time IFRS filing in its first quarterly report on Form 10-Q during the year of IFRS adoption, which in our case would be the first quarter of 2014. We expect interim financial reports prepared using the same basis as the year end reports (i.e., IFRS) will create consistency and comparability in financial reporting within the year of adoption and will reduce the burden for preparers and alleviate confusion among financial statement users.

### **Number of Years of Financial Statements Presented in First Year of IFRS Reporting – Addresses question 33 of the Roadmap**

The Roadmap currently provides that upon IFRS adoption, the Commission expects that it would require U.S. issuers to provide three years of audited IFRS financial statements in the first year of IFRS reporting. WellPoint believes that providing three years of IFRS financial statements upon adopting IFRS will place a significant resource and cost burden upon U.S. issuers to achieve the three year filing requirement. WellPoint requests that the Commission consider providing relief to U.S. issuers to present only two years of financial statements upon initial adoption of IFRS, similar to the relief provided to foreign private issuers. It would be WellPoint's expectation that three years of audited financial statements using IFRS would be issued in the second year of adoption. Furthermore, the Commission has proposed that the requirements under Item 301(a) of Regulation S-K require that issuers must provide three years of selected financial data building up to five years with the progression of time. Given our request to present two years of audited financial statements rather than three as proposed in the Roadmap, we likewise request that the Commission initially require only two years of selected financial data. We agree with the Commission that each year an additional IFRS financial statement is presented, an additional year of selected financial data based on IFRS will be presented, eventually building up to five years.

### **Funding of International Accounting Standards Commission Foundation – Addresses questions 2 and 12 of the Roadmap**

WellPoint wishes to emphasize the importance of the milestone addressing the Accountability and Funding of the International Accounting Standards Commission Foundation, or IASC Foundation (reference item III. A. 2. of the Roadmap). We also believe that the Commission's determination requiring the use of IFRS by U.S. issuers should occur only after the IASC Foundation reaches its goal of securing a stable funding mechanism that supports the independent functioning of the IASB. We agree that the lack of a stable funding mechanism

may subject the IASB to criticism due to a perceived, or potentially actual, connection between funding availability and the outcomes of its standard setting process.

### **Enterprise Impact of IFRS Implementation – Addresses questions 15, 30 and 66 of the Roadmap**

The Roadmap refers to the impact of IFRS adoption on various aspects of an organization, including the financial reporting and accounting functions of an issuer. In addition, we want to highlight other aspects of an organization that will also be significantly impacted. Two of the aspects discussed below (i.e., litigious environment in the U.S. and external stakeholder education) are not fully under our control, which could pose a threat to a successful conversion to IFRS. We urge the Commission to critically evaluate the achievement of the milestones impacting all aspects of an issuer, including, but not limited to:

1. Legal - The litigious environment in the U.S., in which liability standards were established based upon rules-based U.S. GAAP, will be impacted due to differing IFRS accounting standards, which are principles-based. We anticipate this issue will also impact U.S. issuers' external auditors from the perspective of evaluating their clients' interpretation and application of IFRS in their financial statements and the potential legal ramifications of their actions.
2. Control Environment - Particularly related to Sarbanes-Oxley compliance and its relationship with financial reporting. We recommend the Commission consider within the Roadmap the impact of IFRS implementation upon Sarbanes-Oxley compliance, and the legal environment to which issuers are exposed. IFRS adoption may have a significant impact on a company's control environment as existing processes for gathering and processing data may need to be changed. This will add to the cost and burden of adopting IFRS.
3. Education and training of the necessary resources involved with IFRS implementation, which is addressed as a milestone within the Roadmap. IFRS education will also be required of external stakeholders such as external auditors, analysts, and investors, both potential and existing, as well as internal resources such as audit committees, investor relations personnel, executive management, internal finance professionals and internal auditors.

### **Timing of Rulemaking – Addresses question 3 of the Roadmap**

WellPoint is currently a large accelerated filer under the Commission's rules. The Roadmap presently provides for the Commission in 2011 to determine whether to proceed with rulemaking that mandates large accelerated U.S. issuers to use IFRS beginning in 2014. Because WellPoint believes that the transition effort to IFRS will be significant from an enterprise perspective, and in order to issue its first IFRS report on its 2014 Securities and Exchange Commission Annual Report on Form 10-K or, as we recommend above under the section titled "First Filing of IFRS Financial Statements," the first quarter 2014 Form 10-Q, WellPoint contends that the final Roadmap should require determining earlier than 2011 whether to mandate U.S. issuers to use IFRS. Doing so will provide companies more time to adequately plan for the adoption of and

transition to IFRS, and may provide for more meaningful conversion experience. We also believe that by deciding to mandate IFRS earlier than 2011, all constituencies which IFRS are believed to benefit will have adequate time to become trained and knowledgeable about IFRS.

### **Limited Early Use of IFRS– Addresses question 16 of the Roadmap**

We concur with the Commission to allow certain issuers the alternative to report using IFRS prior to 2011. We believe the Commission's proposal limiting this option to the largest 20 competitors by capitalization is appropriate. However, in order to minimize the time where the largest issuers in an industry use different bases of accounting, we suggest that the Commission shorten the time allowed to switch to IFRS after an issuer receives the "no objection" letter from the proposed three years.

### **Estimated Implementation Costs – Addresses questions 67 and 70 of the Roadmap**

WellPoint estimated IFRS implementation costs by using its 2007 operating revenues of \$61.1 billion applied against the Commission's burden and cost estimates presented in the Roadmap. Such cost parameters indicate WellPoint's first year implementation costs may approximate \$80 million. Second year implementation costs using the Commission's 75% reduction of first year costs indicates estimated costs may approximate \$20 million. Year three implementation costs using the Commission's 90% reduction of second year costs indicates estimated costs may approximate \$2 million. While these are high level cost estimates and actual costs may vary greatly from these estimates, there is no question that actual costs will be significant. The costs estimated to implement IFRS will impact the financial performance of the companies and, thus, will directly impact the shareholders and potential investors IFRS are intended to benefit. While we believe that one should not allow short-term obstacles or costs to negate the long-term benefits of moving to IFRS, we also believe that investors would answer "No" when asked whether significant costs should be incurred on IFRS efforts if that meant that other projects may need to be delayed or cancelled. Given the state of the current economy, many companies potentially do not have additional funds available to expend on an IFRS adoption project. The Commission should consider such costs and their related impact on the various constituencies that IFRS are intended to benefit during the course of evaluating the acceptance of preparing financial statements in accordance with IFRS. In addition, the Commission should continue to highlight the long-term benefits of conversion to IFRS to further increase support for this important action. We also believe it would be advantageous for companies to better understand the components of the Commission's estimate to perform their own analysis and be able to plan for their specific costs.

## Conclusion

In summary, it is our recommendation that the Commission implement the Roadmap with consideration given to the above issues provided by WellPoint.

If we may be of assistance in answering questions which may arise in connection with this letter, please feel free to contact me at (317) 488-6684.

Very truly yours,



Martin L. Miller  
Senior Vice President, Chief Accounting Officer  
and Controller

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Executive Vice President and Chief Financial Officer

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