

December 15, 2010

Ms Leslie F. Seidman, Acting Chairman File Reference No. 1850-100 Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116 Via email: director@fasb.org Routing TL14A Two Liberty Place 14th floor 1601 Chestnut Street Philadelphia, PA 19192 Telephone 215-761-1170 Facsimile 215-761-5059 mary.hoetzel@cigna.com

Dear Ms. Seidman:

CIGNA Corporation appreciates the opportunity to provide comments on the Financial Accounting Standards Board's (FASB) Exposure Draft of a proposed Accounting Standards Update ("proposed Update" or "ED") on Topic 840, Leases. Although this proposal was separately exposed for comment by both the FASB and the International Accounting Standards Board (collectively the "Boards"), we understand that the Boards will share and jointly consider all comment letters received and, therefore, have directed our comments to the FASB only.

CIGNA is one of the largest investor-owned health care and related benefits organizations in the United States. Like many companies, CIGNA regularly engages in lease transactions, primarily for office space as a lessee and also as an investor in various entities that engage in lease transactions as lessors. Historically, a majority of our lease arrangements have been accounted for as operating leases.

Overall, CIGNA supports the FASB's objectives to simplify lease accounting and to improve the transparency of financial statements. While we agree with the proposed new model requiring a lessee to recognize a right-of-use asset and liability to make lease payments, we are concerned with the tentative conclusions for measurement of the liability, specifically the proposed definition of the lease term and the overall cost / benefit of complying with the ED as proposed.

Our comments regarding this ED are summarized immediately below, followed by a more in-depth discussion. We have not responded to all individual questions posed in the ED. Instead, we have focused our comments on those aspects of the proposal that are most concerning to CIGNA. Where we believe we have addressed specific questions posed in the ED through our comments we have referenced those questions to aid the FASB staff in their analysis.

Measurement (Question 8): As proposed, an entity is to consider the lease term as the longest possible term that is "more likely than not" to occur, and to include renewal options within the measurement of the obligation using probability-weighted cash flows. We recommend that the lease term be consistent with current lease guidance (the FASB's Accounting Standards Codification, Topic 840) and, in measuring the obligation, use the best estimate of cash flows, excluding optional renewal periods until they are "reasonably assured".

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Benefits and Costs (Question 17): The proposed measurement approach will require additional accounting resources and processes to prepare and maintain records to support estimates at inception, as well as over the life of leases. By maintaining the current lease guidance for determining lease terms, the amount of regular data gathering about the key provisions of each lease will be reduced while continuing to report meaningful estimates of lease obligations.

Measurement

As stated in the ED, lease contracts often grant lessees the right (but not the obligation) to extend a lease period. We believe that unless a renewal option is priced to give the lessee a significant incentive to renew, such that the renewal is reasonably assured, the lessee should recognize its obligation to pay rentals on the basis of the minimum, noncancelable contractual term. For renewal periods not initially recognized, we believe an obligation should be reflected if and when it becomes reasonably assured that the option will be exercised. This approach allows entities to report appropriate liabilities while meeting the Boards' stated objective, "to report relevant and representationally faithful information to users of financial statements about the amounts, timing and uncertainty of the cash flows arising from leases". We support these points as follows:

Definition of a liability: Because the lessee can avoid paying rentals under renewal options, we believe liabilities will be overstated by including probability-weighted cash flows for renewal periods. Until the renewal option is elected, CIGNA does not have a 'present obligation' related to those renewal options. We believe the inclusion of renewal periods in the measurement of the obligation does not meet one of the three essential characteristics of a liability defined in paragraph 36 of the FASB's Concept Statement 6, Elements of Financial Statements; specifically, the characteristic 'the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice' is not met for renewal options. Furthermore, due to changing business priorities and market place dynamics, most companies cannot predict with any certainty beyond three years.

The resulting overstatement of lease liabilities will likely be negatively perceived by rating agencies and stock analysts. Debt is a key financial metric used by rating agencies, customers, and current and potential shareholders in evaluating financial strength. We believe the measure of lease obligations to be included in debt used in financial analyses should be accurate based on the present obligations.

The Boards' stated objective: The Boards' proposal to measure and subsequently amortize leaserelated assets and liabilities using probability-weighted cash flow estimates for the "more likely
than not" lease term, including optional renewal periods, would be very difficult to implement,
especially for longer term leases. Generally, entities cannot reasonably evaluate the likelihood of
renewal or estimate the cash flows associated with renewal periods until the final year(s) of a lease
given ever-changing economic circumstances and emerging or changing business strategies. In the
last fifteen years, CIGNA has sold three business segments and outsourced numerous functions,
causing reductions in office space needed to house several thousand employees. These changes in
business strategy were not foreseeable when major leases were established and would have resulted
in overstating lease obligations had renewal options been included in probability-weighted cash
flow estimates at inception of these leases. Therefore, we believe that the proposed measurement
provisions will not result in lease obligations and assets that meet the Board 'objective "to report

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relevant and representationally faithful information to users of financial statements about the amounts, timing and uncertainty of the cash flows arising from leases".

Benefits and Costs

From an administrative perspective, tracking changing expectations each period under the proposed requirements to estimate probability-weighted cash flows for "more likely than not" lease terms would require additional costly software and personnel. We believe that the overall complexity to comply with the new model would be greatly reduced by measuring the lease obligation using a best estimate of the minimum, noncancelable lease term that is reasonably assured. Under the proposed guidance, an entity is to consider the probability of a variety of factors, such as contractual, non-contractual, business, and lessee-specific factors (for example: past practice and historical precedent). We currently have over 200 leases and are unlikely to be able to provide reliable estimates of probability-weighted cash flows during the early years of these leases as many of the factors suggested for consideration are unknown that early in the lease term. Often, critical decisions related to renewal, which consider business strategy, return on investment and competitive position in the marketplace, are not made until the final years of leases. Also, leading up to lease renewal, space needs and market costs will be evaluated to maximize cost savings through consolidation or renegotiation. In addition, we are currently lessors of approximately 10,000 leases that contribute to additional uncertainty specifically in the determination of whether the lessess will renew or not. Given the current economic environment and potential regulatory changes that may affect how health insurers do business, it would be an onerous task to predict the likelihood of renewal in the early years of leases. The cost of continuous reassessment of these probabilities will far outweigh the benefits. Furthermore, rating agencies will include these estimates that are not true obligations, hampering access to capital and liquidity resources. As such, we believe that recognition of lease obligations using best estimates of cash flows for noncancellable lease terms, including renewal options when reasonably assured, will reliably reflect the expense of our leasing activities at a reasonable cost, without reducing the usefulness of financial information.

Also, separate from the challenge of determining whether a lease will renew, cash flows for renewal periods will be difficult to estimate. Generally lease agreements, including many of CIGNA's arrangements, specify renewal rental rates as a percentage of market rates at renewal; while such rates may be predictable towards the end of a noncancelable lease term, they are not estimable at inception. In addition, real estate markets also experience volatility similar to the stock markets. These circumstances will cause cash flows related to potential renewal periods to be unpredictable and result in recorded amounts that are not likely to be a faithful and reliable representation of lease obligations at inception.

Therefore, we recommend that the lease term as defined under current lease guidance be maintained as 'the fixed noncancelable lease term plus all periods for optional renewals, when determined to be reasonably assured'.

CIGNA recognizes that renewal options can significantly affect the rights and obligations that ultimately arise out of a contract; we believe this concern could be mitigated by use of our proposed definition of the lease term along with disclosure about the potential impact of future renewals. Disclosure about the potential impact of future renewals using broad assumptions (for example: File Reference No. 1850-100 December 15, 2010 Page 4

assuming that all leases renew at current inflation adjusted rental rates for current square footage requirements) could provide useful information to financial statement users, similar to other types of sensitivity analysis. By applying our recommended definition of lease term to measure the obligation along with disclosures, entities will be able to accurately reflect relevant and representationally faithful information about lease obligations.

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

Sincerely,

Mary T. Hoeltzel

Vice President and Chief Accounting Officer