April 27, 2018

Ms. Susan M. Cosper, Technical Director
File Reference No. 2018-230
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Dear Ms. Cosper:

Cigna Corporation appreciates the opportunity to comment on the Financial Accounting Standards Board’s (the “Board”) Proposed Accounting Standards Update: Subtopic 350-40 - Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that Is a Service Contract (the “Proposal” or “Proposed Update”).

Cigna is one of the largest investor-owned health care and related benefits organizations in the United States, and has operations in selected international markets. Our insurance subsidiaries are major providers of medical, dental, disability, life and accident insurance and related products and services, the majority of which are offered through employers and other groups (e.g. governmental and non-governmental organizations, unions and associations). Cigna also offers Medicare and Medicaid products. In addition to these ongoing operations, Cigna has reinsurance, retirement and individual life and annuity businesses in run-off.

Cigna applauds the Board’s responsiveness to stakeholder concerns and appreciates the Board’s willingness to reconsider certain matters relative to the proposed accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. We largely support the Proposed Update and believe it is appropriate to capitalize implementation costs in accordance with existing guidance to capitalize eligible costs related to internal-use software. We do have concerns regarding certain of the expanded disclosures in the Proposal and ask the Board to consider our feedback to question 6 below.

Thank you for your attention to our comments. If we can provide further information or clarification of our comments, please call me (215-761-1170) or Timothy Holzli (215-761-2394).

Sincerely,

Mary T. Agoglia Hoeltzel

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Cigna Responses to Specific Questions Posed by the FASB

**Question 1** - Should eligible implementation costs of a hosting arrangement that is a service contract be capitalized using the guidance on internal-use software, recognized in profit or loss over the term of the hosting arrangement as defined in this proposed Update, and presented in the same line item in the statement of income as the fee associated with the hosting arrangement? If not, what accounting is more appropriate and why?

Yes, we agree with the proposed method of accounting for eligible implementation costs of a hosting arrangement that is a service contract.

**Question 2** - This proposed Update includes an amendment to the definition of *hosting arrangement* in the Master Glossary. Do you agree with the amendment, and do you have any other concerns with the definition, as amended?

We do not have any concerns with the revised definition of a hosting arrangement.

**Question 3** - Is additional guidance needed to determine whether the amendments in this proposed Update apply to arrangements that include a minor hosting arrangement?

No, we do not believe additional guidance is necessary.

**Question 4** - Can the guidance for determining the project stage (that is, preliminary project stage, application development stage, or post implementation stage) in Subtopic 350-40 be consistently applied to a hosting arrangement? Why or why not?

We do not have any concerns with the operability of the Proposed Update.

**Question 5** - Should an entity apply an impairment model to implementation costs of a hosting arrangement that is a service contract that is different from the impairment model included in Subtopic 350-40? Why or why not?

Yes, we believe the impairment model relative to the capitalization of implementation costs of a hosting arrangement should be the same as current guidance in ASC 350-40.

**Question 6** - Do you agree with the disclosures included in the proposed amendments? If not, what additional disclosures do you recommend, or what disclosures should be removed and why?

No, we do not agree that the disclosures in the Proposed Update are necessary. Specifically, we believe the requirement to quantify implementation costs that were expensed during the period is unwarranted.

We do not object to providing readers with some of the information contained in the Proposal such as a description of the terms and conditions of the software acquired or developed and significant judgements and assumptions made. We also see value in providing users with a range for the number of years in which capitalized implementation costs will be expensed. However, we believe the requirement to disclose implementation costs expensed is unnecessary and does not provide significant value to the readers of the financial statements. Through the existing and proposed disclosure requirements, users would have visibility into total amounts capitalized and the periods over which such deferred costs are recognized as expense. We believe providing a total expense amount for amounts not capitalized is unnecessary as current authoritative literature does not require discrete disclosure for other areas in this manner. We also do not believe disclosing this information will be valuable to users.
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**Question 7** - Should the disclosures included in the proposed amendments be applied to internal-use software and hosting arrangements that include a software license? Why or why not?

We do not support the disclosures in the Proposed Update – see response to question 6 above. Since the inherent nature of the underlying capitalized asset is the same in both internal use software and hosting arrangements, we do believe any disclosure requirements should be applied to both.

**Question 8** - Should an entity be permitted to elect prospective transition or retrospective transition? If not, please explain what transition method should be required and why. If an entity elects prospective transition, should the entity apply the transition requirements to each hosting arrangement, each module or component within a hosting arrangement, or costs of the hosting arrangement?

We have no concerns with the transition election provided in the Proposed Update. We further believe that if an entity elects prospective transition, the Proposed Update should be applied to each module or component within a hosting arrangement.

**Question 9** - Should an entity be required to provide the transition disclosures specified in the proposed amendments? If not, please explain what transition disclosures should be required and why.

We do not have significant concerns with the transition disclosures.

**Question 10** - How much time would be needed to implement the proposed amendments? Should early adoption be permitted? Do entities other than public business entities need additional time to apply the proposed amendments? Why or why not?

As the Board is aware, diversity in current practice exists and some companies may need more time than others to evaluate if implementation costs meet the eligibility criteria for capitalization, whereas other companies may already have processes and procedures in place. We support the option to allow early adoption.

**Question 11** - Should the proposed amendments be more broadly applied to similar transactions beyond hosting arrangements or be limited to transactions based on the scope of the proposed amendments? If more broadly applied, what transactions are similar to those included in the scope of the proposed amendments?

No, we believe the Proposed Update appropriately addresses the issue brought to the Emerging Issues Task Force regarding implementation fees incurred in cloud computing arrangement that is a service contract, and the scope should not be expanded.