

Mary T. Hoeltzel
Vice President and Chief Accounting Officer



September 10, 2013

Ms. Susan M. Cospers, Technical Director
File Reference No. 2013-270
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Routing TL 14A
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Re: Proposed Accounting Standards Update, *Leases (Topic 842)*, a revision of the 2010 proposed FASB Accounting Standards Update, *Leases (Topic 840)*

Dear Ms. Cospers:

Cigna Corporation (Cigna) appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB) proposed Accounting Standards Update (Revised), *Leases (Topic 842)* (the proposal). Although this proposal was separately exposed for comment by the FASB and the International Accounting Standards Boards (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, and has operations in selected international markets. Cigna regularly engages in lease transactions, primarily for office space as lessee and also as an investor in various entities that engage in lease transactions as lessors. Among the hundreds of leases to which we are a party are various arrangements that include services associated with the leased assets. Historically, a majority of our lease arrangements have been accounted for as operating leases.

Cigna supports the goal to simplify lease accounting and to improve the transparency of financial statements. However, we believe the goal of putting all leases on the balance sheet can be accomplished in a manner that is simpler to understand, measure and report. We encourage the Boards to consider the recommendations articulated in Comment Letter No. 16 as a theoretically rational and practical solution. The following points are expanded upon therein:

- The risks and rewards criteria in current GAAP should be used for lessee lease classification. Basing the lessee classification on the legal nature of the contract is simple and reflects the economic reality of the asset and obligation. That is, when the rights of ownership are transferred, a tangible asset and debt exist; when only temporary rights of use are transferred, an intangible asset and non-debt liability exist.
- Lessee cost allocation should follow the balance sheet classification such that straight-line rent expense is recognized to reflect the rights of use transferred over time.
- Lease classification for the lessor should be based on the business model of the lessor.

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We believe this approach will also simplify the bifurcation of servicing arrangements because many users of services will not obtain the rights of ownership to embedded equipment or land and therefore, will avoid the burdensome task of separating such arrangements.

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 Nancy Ruffino (860-226-4632).

Sincerely,

A handwritten signature in cursive script that reads "Mary T. Hoeltzel". The signature is written in dark ink and is positioned below the word "Sincerely,".

Mary T. Hoeltzel