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December 4, 2020

Ms. Hillary Salo
Technical Director
Financial Accounting Standards Board
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Re: File Reference No. 2020-700, Proposed Accounting Standards Update: *Leases (Topic 842) Targeted Improvements*

Dear Ms. Salo:

Cigna Corporation appreciates the opportunity to comment on the Financial Accounting Standards Board's (FASB or the "Board") Proposed Accounting Standards Update: *Leases (Topic 842), Targeted Improvements* (the "Proposal" or the "Exposure Draft").

Cigna is one of the largest investor-owned global health services organizations in the United States, and has operations in selected international markets. Our mission is to help those we serve improve their health, well-being and peace of mind. We offer a differentiated set of pharmacy, medical, dental, disability, life and accident insurance and related products and services, through our subsidiaries, the majority of which are offered through employers and other groups (e.g. governmental and nongovernmental organizations, unions and associations). Cigna also offers Medicare and Medicaid products. In addition to the ongoing operations described above, Cigna has reinsurance, retirement and individual life and annuity businesses in run-off.

Cigna appreciates the Board's efforts to respond to stakeholder feedback and improve the application and operability of Topic 842. We are largely supportive of the Proposal and believe the amendments will reduce costs for preparers without adversely impacting the decision usefulness of information provided to users. We have comments and suggestions related to issue three in the Proposal regarding modifications reducing the scope of a lease contract, that are discussed below.

Issues 1 and 2 in the Proposal are not relevant to Cigna, although we are supportive of the proposed changes.

Issue 3: Modifications Reducing the Scope of a Lease Contract

We appreciate the Board's acknowledgement that aspects of the lease modification guidance in Topic 842 may be complex and unduly burdensome on preparers. Specifically, the modification requirements for certain partial terminations where the remaining lease components are not economically impacted is onerous and we believe results in unnecessary cost and imbalanced financial reporting.

Cigna supports the Board's Proposal to exempt entities from applying modification accounting to the remaining lease components within a lease contract when other lease components within the contract are terminated and those terminations do not affect the economics of the remaining components. However, we disagree with the Board's decision to require entities to include penalties incurred to terminate lease components when evaluating if the remaining lease component(s) are economically unaffected as outlined in paragraph 842-10-25-8B(c). When early terminating a lease, or a portion of a lease, a lessee will often incur a termination penalty, which may be required contractually or negotiated with the lessor as part of the termination agreement. Regardless of the origin, a lessee is often willing to pay a penalty to exit the desired portion of a lease, although this does not indicate that the remaining aspects of the lease have been changed. We do not believe that the payment of a termination penalty to exit a portion of a lease economically affects the remaining lease components, and therefore believe that such termination penalty should be treated differently than a negotiated payment under the modification requirements. We believe that the payment of such a termination penalty for a specific leased asset does not and should not affect the remaining lease components, presuming all other terms and conditions remain unchanged. Requiring entities to consider the termination penalty when determining if the remaining lease components are economically affected is punitive and unjustly affects the remaining lease components, which is often not the intent. Cigna believes this approach is not faithful to the economic considerations made by the lessee in deciding to execute a termination. Further, since the lessor is immediately free to leverage the termination payment to retrofit the space and seek another lessee, we also believe that this treatment does not reflect the lessor's economics. We believe the Proposal will not offer meaningful relief to preparers if termination penalties are not excluded from the evaluation of the total payments for the remaining components.

In addition, Cigna appreciates the discussion in the basis for conclusions (paragraph BC 29) regarding separate lease components and applicability of the Proposal as noted below and we recommend inclusion in the text of the update, rather than in the basis for conclusions. We believe this is conceptually important and particularly relevant. As a result of the extended COVID-19 pandemic, entities are evaluating their real estate portfolio and may determine that it could be advantageous to early terminate excess capacity in currently leased facilities.

For practical reasons, many entities elect to treat floors of a facility in a co-terminus real estate lease as a single component, although those floors could satisfy the criteria to be accounted for as separate components. We believe that at the time a partial termination is executed, an entity should be allowed to evaluate the terminated floors as a separate component from the floors that will remain, with any termination penalty assessed as part of the terminated portion of the lease. For real estate leases specifically, this approach would factor the termination penalty into

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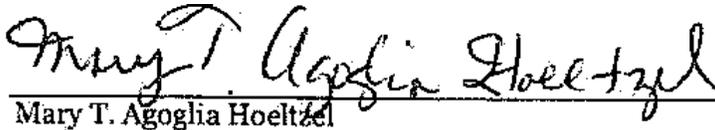
the modification accounting for the terminated component(s). The termination penalty would then be recognized in the period between the date the termination agreement is executed and the date the space is vacated, while not altering the recognition of the lease expense for the continuing components. Existing guidance in Topic 842 requires that in such a situation, the termination penalty be included in the remeasurement of the lease and recognized over the remaining full lease term. Cigna believes this treatment is punitive, and as discussed above does not reflect the economics of the transaction.

BC29. The Board acknowledged that in certain cases entities may not have separated lease components at lease commencement because a separation would have had no effect on the accounting for the lease contract before a modification occurred. For example, in a coterminous lease of five floors in a building or a lease of a stated amount of square footage of retail space in a mall, a subsequent reduction in the number of leased floors or in the amount of square footage of retail space may indicate that the terminated floor or retail space was a separate lease component in the contract (even if an entity did not identify and separate those lease components at the commencement date). The Board decided that not separating lease components at the commencement date should not preclude an entity from subsequently applying the amendments in this proposed Update if it is apparent at the termination date that more than one separate lease component existed at the lease commencement date and the remaining lease components are economically unaffected by the termination.

Cigna commends the Board's effort to obtain input from stakeholders and appreciates the opportunity to share our perspective.

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

Sincerely,



Mary T. Agoglia Hoeltzel