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Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803 USA

**Re: PCAOB Rulemaking Docket Matter No. 051**

The Cigna Group (“Cigna”) appreciates the opportunity to comment on the Public Company Accounting Oversight Board’s (PCAOB or the Board), *A Company’s Noncompliance with Laws and Regulations* and conforming updates (“the proposal”).

Cigna is a publicly traded global health service organization dedicated to a mission of helping those we serve improve their health, well-being and peace of mind by making health care affordable, predictable and simple, using a differentiated set of pharmacy, medical, behavioral, dental and supplemental products and services offered by our subsidiaries. The majority of these products are offered through employers and other groups such as governmental and non-governmental organizations, unions and associations. Cigna also offers commercial health and dental insurance and Medicare products to individuals in the United States and select international markets. In addition to these ongoing operations, Cigna also has certain run-off operations.

Cigna appreciates the Board’s response to public company noncompliance incidents in the interest of protecting investors. We agree that updating the outdated 1980’s-era standard can be done in a way that drives greater accountability for audits to be conducted in accordance with PCAOB standards to detect illegal acts and noncompliance that materially impact the financial statements. We also appreciate the Board’s position that an audit in accordance with PCAOB standards should not be tantamount to a compliance audit. Cigna recognizes the careful balance the PCAOB is tasked with striking in the interest of increasing the auditor’s accountability to address risk of material misstatement due to illegal acts and noncompliance without reshaping the definition of a public company audit to lengths that are

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unsustainable. We are prepared to embrace responsible continuous improvement measures through clarification and expansion of the role and responsibility of the financial statement auditor, however we believe that the proposed standard's scope will result in auditors inadvisably expanding their scope into areas of legal determinations, and the inefficient deployment of resources at a cost that is incommensurate with the derived benefit in return. We outline as follows our primary concern with the scope, focusing on the auditor's identification of laws and regulations, and encourage the Board to work with all interested parties to refine the proposal.

We firmly believe that an audit leveraging a company's enterprise risk management (ERM) processes around laws and regulations would meet the foundational audit objective that the audit report provide reasonable assurance as to whether the financial statements are free from material misstatement, an objective which the PCAOB asserts it does not seek to expand. Based on our interpretation of the proposal, we are concerned that, contrary to the PCAOB's expectation, the auditor will not be able to effectively leverage management's processes to identify laws and regulations. The proposal states that one of the auditor's objectives is to identify any laws and regulations with which the auditor determined noncompliance could reasonably have a material effect on the financial statements, which includes but is not limited to those that have a direct and material effect on the financial statements, an expansion of Section 10A's requirement to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts. Whether the PCAOB intends to change the objective of an audit or not, the level of procedures effectively required under this proposal for which management's processes cannot be leveraged will result in an expanded audit sufficient to satisfy the more stringent objective. It would also require determinations to be made by auditors that far exceed their current capacity and areas of expertise.

As a large, global health company, risk management is a core aspect of our business and is a critical to employees' day-to-day work. Cigna aligns to the three lines model introduced by The Institute of Internal Auditors ("IIA") to manage risk. We update our risk management methodologies in accordance with the business's dynamic needs and re-evaluate effectiveness throughout the year to ensure the framework is responsive to the needs of the organization, scalable, and structured to serve Cigna in an increasingly complex global environment. Specific to our current process, risk identification and reporting to our ERM team is the primary responsibility of the first line business and functional leaders, and includes outreach and information gathering from stakeholders across the organization. This is generally accomplished through annual strategic planning, individual risk assessment processes to inform decision-making, project-specific risk identification for key initiatives, the ERM team-facilitated ongoing enterprise risk assessment process with senior leadership, and assessment of ad-hoc emerging risks. Risks are categorized among four broad dimensions and specifically include compliance risk, defined as risk related to Cigna's ability to ensure compliance with applicable laws and regulations, ethical standards and prescribed practices. Identified compliance risks are measured based on the likelihood and vulnerability of Cigna to the risk, the time that elapses between the occurrence of a risk event and when the Company will notice the effect, the resulting financial exposure to the Company, and potential for reputational damage as a consequence of the risk. This analysis derives a risk score and an estimate of the residual risk remaining after management's mitigation, controls and other actions. That score and residual risk direct the ERM Team's post-identification oversight.

There is an inherent alignment between the objective of an audit and the focus in our ERM process on prioritizing the identification of risks based on their likelihood of occurring and the vulnerability of the

Company. Unlike the proposal, our ERM process does not include a bottoms-up approach of building an inventory of all laws and regulations to which we are subject in order to understand which ones would be material if violated. As such, our ERM process may deliberately omit from the identification of compliance risks a regulation that, if violated and penalties imposed to the greatest degree, would result in a material penalty, but for which it is not likely such a violation would occur at that level. Using well-known and highly endorsed ERM frameworks, such as Cigna's, and customizing them to meet the needs of the business allows companies to build scalable processes to prioritize risks that have a higher probability of causing greater harm both to the Company and to its stakeholders, including customers and investors. This is not, nor should it be, every law and regulation that could reasonably have a material direct or indirect effect on the financial statements. Likewise, a risk-based audit may more appropriately direct the auditor to focus on laws and regulations that has are more likely to be violated to a degree that is likely to result in a material impact on the financial statement of the client. Rather than starting with identification of all laws and regulations, followed by a risk assessment, the risk assessment and identification activities should be concurrent and interdependent, allowing auditor discretion to apply the lens of reasonable assurance and materiality, consistent with other aspects of the audit. We believe this would allow the auditor to leverage management's ERM process to identify laws and regulations, and use judgment to expand the scope if needed based on the auditor's assessed risk from various factors including tone-at-the-top, qualifications of those tasked with ERM oversight, historical material noncompliance and the responsiveness of management's ERM process to changing environments, among others. An auditor that assesses it to be necessary to identify all laws and regulations that could reasonably have a material effect on the financial statements in order to obtain reasonable assurance that the financial statements are not materially misstated would do so. In most audits, however, we do not believe this would be necessary. Moreover, if auditors routinely engage in processes involving external specialists and experts to analyze and inventory a Company's laws and regulations in greater depth than management's own analysis without risk-based support for doing so, it is not difficult to envision scenarios in which the auditor's independence could be impaired.

As a consequence, clients may be forced into taking unprecedented actions to safeguard the cornerstone of the audit profession- auditor independence. Management may have no alternative but to dismantle its industry-acknowledged best practice ERM framework in exchange for a risk-agnostic monitoring of all laws and regulations that could reasonably have a material direct or indirect effect on the financial statements. The sole purpose of such an effort would be accommodating the auditor's enhanced requirements. Implementing and maintaining a risk-agnostic inventory of laws and regulations is much more than cost-prohibitive; the costs may undercut management's ability to justify continued operations in certain businesses, particularly businesses that are subject to extensive evolving regulations subject to high degrees of interpretation. In such businesses today, leadership consciously and carefully oversees a risk-based balance between preventative and detective measures. For example, the nature of the healthcare industry is such that the volume, subjectivity and rate of change with respect to regulations an industry player may or may not be subject to is effectively infinite and even an unmitigated pipeline of funding and resources would not make it practical to continuously inventory a full scope of regulations with auditable rigor and professional expertise. We believe this not only places management in an inextricable dilemma, but that the pressure on costs and resources associated with even moderately departing from a risk-based approach will jeopardize management's ability to ensure that the laws and regulations which, under a risk-based approach, demand the most management focus are not overshadowed by the sheer quantity of laws and regulations that would need to be assessed in order for management to attempt to support the auditor's requirements under the proposal.

An additional concerning consequence of the proposal is the implications for attorney-client privilege. Today's interactions between the external auditor and internal and external legal counsel focus on legal matters that are probable and material to the financial statements, which is consistent with the objective of the audit. Absent any narrowing of the scope of the auditor's identification objective, as discussed above, inquiry of legal counsel will include matters that are still under adjudication and not yet probable. For instance, corporations are often wrongly challenged by a regulatory body alleging noncompliance and hire external counsel to defend themselves. Commonly, the corporation is successfully defended against the charge, and at no point does it reach a level of probability requiring disclosure to the auditors or in the financial statements. Naturally, at the time of the audit, such matters subject to attorney-client privilege are in various phases of adjudication, and the timing of their resolution is often not within management control. A requirement for external counsel to communicate on such matters with the auditors, regardless of their improbability at the time of the inquiry would severely compromise attorney-client privilege. Moreover, companies are often subject to unclear laws and regulations and take a position on their level of compliance on consultation with counsel. Requiring auditors to take a position on such matters inherently puts auditors in the untenable position of being judge and jury in interpreting such unclear regulation, and moreover, would require conversations with counsel which could jeopardize the client's ability to rely on the attorney client privilege in future litigation on such matters.

Relative to the proposal's requirement that auditors communicate to the Audit Committee as soon as practicable when there is possible noncompliance, regardless of materiality, we believe audit committees generally will view this as premature and unactionable information to be communicated at that level. Our own Audit Committee Charter, for instance, focuses as it relates to noncompliance on items that may be material to the financial statements, communications from the auditor required by SEC rules, including Section 10A(b) of the Securities and Exchange Act of 1934 and Cigna's policies with respect to risk assessment and risk management, including the auditor's understanding of those policies. Communicating information that is premature and/or immaterial to the Audit Committee may be distracting and result in a lower perceived value of the audit without any resulting enhancement to investor protection. We do, however, agree it is valuable and actionable to communicate as soon as practicable to management.

In summary, our primary critique of the proposal is its requirement that an auditor gain an understanding of all laws and regulations that could reasonably materially impact the financial statements, including those with only indirect potential impacts. We are concerned that by requiring auditors to go through this identification step without first applying the constraint of a risk assessment framework, there will be unintended results including:

- 1) The auditor would not be able to use a risk-based approach leveraging management's own ERM framework. As a result, the auditor may exceed even management's involvement in this area, potentially compromising independence in the interest of obtaining a greater level of assurance than that required by the objectives of an audit.
- 2) Inquiry of the client's legal counsel would extend beyond matters that are material and/or probable as of the reporting date, and could require information regarding confidential legal analyses and advice, all of which may undermine the client's attorney-client privilege.

- 3) The auditor may be required to share information with the Audit Committee that is outside the purview of the Audit Committee's charter, that is immaterial or not fully developed, and that is therefore distracting and unactionable.

We believe the PCAOB would benefit from a series of live discussions with preparers and practitioners on this topic and would welcome the opportunity to participate in such discussions. We thank the PCAOB for its engagement with practitioners and industry and look forward to an ongoing dialogue to ensure an effective and smooth transition to the new guidance for all.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary Agoglia Hoeltzel". The signature is written in a cursive, flowing style.

Mary Agoglia Hoeltzel