

CIGNA CORP  
Form 10-Q  
October 31, 2013  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

## FORM 10-Q

**R** QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

OR

**O** TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-08323

## Cigna Corporation

*(Exact name of registrant as specified in its charter)*

**Delaware**

*(State or other jurisdiction of incorporation or organization)*

**900 Cottage Grove Road Bloomfield, Connecticut**

**06-1059331**

*(I.R.S. Employer Identification No.)*

**06002**

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(Address of principal executive offices)

(Zip Code)

**(860) 226-6000**

Registrant's telephone number, including area code

**(860) 226-6741**

Registrant's facsimile number, including area code

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

| Indicate by check mark   |                            | YES                            | NO                                 |
|--|----------------------------|--------------------------------|------------------------------------|
| <ul style="list-style-type: none"> <li>whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.</li> </ul>    |                            | R                              | O                                  |
| <ul style="list-style-type: none"> <li>whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).</li> </ul> |                            | R                              | O                                  |
| <ul style="list-style-type: none"> <li>whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.</li> </ul>   |                            |                                |                                    |
| Large accelerated filer <b>R</b>   | Accelerated filer <b>O</b> | Non-accelerated filer <b>O</b> | Smaller Reporting Company <b>O</b> |
| <ul style="list-style-type: none"> <li>whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).</li> </ul>  |                            | O                              | R                                  |

As of October 14, 2013, 276,411,976 shares of the issuer's common stock were outstanding.

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# Cigna Corporation

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As used herein, "Cigna" or the "Company" refers to one or more of Cigna Corporation and its consolidated subsidiaries.

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## Part I. FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS

#### Cigna Corporation

#### Consolidated Statements of Income

|   | Unaudited<br>Three Months Ended<br>September 30, |              | Unaudited<br>Nine Months Ended<br>September 30, |               |
|---|--|--------------|---|---------------|
|   | 2013   | 2012         | 2013  | 2012          |
| <i>(In millions, except per share amounts)</i>            |  |              |   |               |
| <b>Revenues</b>   |  |              |   |               |
| Premiums and fees   | \$ 7,206   | \$ 6,602     | \$ 21,692                                       | \$ 19,360     |
| Net investment income                                     | 297  | 283          | 873   | 854           |
| Mail order pharmacy revenues                              | 471  | 401          | 1,333   | 1,189         |
| Other revenues  | 65   | 26           | 139   | 76            |
| Realized investment gains (losses):                       |  |              |   |               |
| Other-than-temporary impairments on fixed maturities, net | (3)  | -            | (11)  | (6)           |
| Other realized investment gains                           | 30   | 11           | 203   | 26            |
| Total realized investment gains                           | 27   | 11           | 192   | 20            |
| <b>Total revenues</b>                                     | <b>8,066</b>                                     | <b>7,323</b> | <b>24,229</b>                                   | <b>21,499</b> |
| <b>Benefits and Expenses</b>                              |  |              |   |               |
| Global Health Care medical claims expense                 | 3,913  | 3,561        | 11,864  | 10,584        |
| Other benefit expenses                                    | 1,031  | 911          | 3,890   | 2,648         |
| Mail order pharmacy cost of goods sold                    | 390  | 324          | 1,096   | 975           |
| GMIB fair value (gains)                                   | -  | (53)         | -   | (33)          |
| Other operating expenses                                  | 1,933  | 1,862        | 5,739   | 5,467         |
| <b>Total benefits and expenses</b>                        | <b>7,267</b>                                     | <b>6,605</b> | <b>22,589</b>                                   | <b>19,641</b> |

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|  |               |               |                 |                 |
|--|---------------|---------------|-----------------|-----------------|
| <b>Income before Income Taxes</b>  | <b>799</b>    | <b>718</b>    | <b>1,640</b>    | <b>1,858</b>    |
| Income taxes:  |               |               |                 |                 |
| Current  | 205           | 228           | 285             | 574             |
| Deferred   | 41            | 24            | 237             | 67              |
| <b>Total income taxes</b>  | <b>246</b>    | <b>252</b>    | <b>522</b>      | <b>641</b>      |
| <b>Net Income</b>  | <b>553</b>    | <b>466</b>    | <b>1,118</b>    | <b>1,217</b>    |
| <b>Less: Net Income Attributable to Redeemable Noncontrolling Interest</b> | <b>-</b>      | <b>-</b>      | <b>3</b>        | <b>-</b>        |
| <b>Shareholders' Net Income</b>  | <b>\$ 553</b> | <b>\$ 466</b> | <b>\$ 1,115</b> | <b>\$ 1,217</b> |
| <b>Shareholders' Net Income Per Share:</b>                                 |               |               |                 |                 |
| Basic  | \$ 1.99       | \$ 1.64       | \$ 3.96         | \$ 4.27         |
| Diluted  | \$ 1.95       | \$ 1.61       | \$ 3.89         | \$ 4.20         |
| <b>Dividends Declared Per Share</b>  | <b>\$ -</b>   | <b>\$ -</b>   | <b>\$ 0.04</b>  | <b>\$ 0.04</b>  |

*The accompanying Notes to the Consolidated Financial Statements (unaudited) are an integral part of these statements.*

Table of Contents**Cigna Corporation****Consolidated Statements of Comprehensive Income**

| <i>(In millions)</i>   | Unaudited<br>Three Months Ended<br>September 30, |               | Unaudited<br>Nine Months Ended<br>September 30, |                 |
|--|--|---------------|---|-----------------|
|  | 2013   | 2012          | 2013  | 2012            |
| Shareholders' net income   | \$ 553   | \$ 466        | \$ 1,115  | \$ 1,217        |
| <b>Shareholders' other comprehensive income (loss):</b>                                |  |               |   |                 |
| <b>Net unrealized appreciation (depreciation) on securities:</b>                       |  |               |   |                 |
| Fixed maturities   | (7)  | 83            | (348)   | 169             |
| Equity securities  | (7)  | -             | (5)   | 2               |
| Net unrealized appreciation (depreciation), on securities                              | (14)   | 83            | (353)   | 171             |
| Net unrealized appreciation (depreciation), derivatives                                | (2)  | (4)           | 7   | (4)             |
| Net translation of foreign currencies  | 59   | 31            | (15)  | 23              |
| Postretirement benefits liability adjustment   | 12   | 8             | 73  | 44              |
| Shareholders' other comprehensive income (loss)  | 55   | 118           | (288)   | 234             |
| Shareholders' comprehensive income   | 608  | 584           | 827   | 1,451           |
| <b>Comprehensive income (loss) attributable to redeemable noncontrolling interest:</b> |  |               |   |                 |
| Net income attributable to redeemable noncontrolling interest                          | -  | -             | 3   | -               |
| Other comprehensive (loss) attributable to redeemable noncontrolling interest          | (6)  | -             | (15)  | -               |
| <b>Total comprehensive income</b>  | <b>\$ 602</b>                                    | <b>\$ 584</b> | <b>\$ 815</b>                                   | <b>\$ 1,451</b> |

The accompanying Notes to the Consolidated Financial Statements (unaudited) are an integral part of these statements.

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# Cigna Corporation

## Consolidated Balance Sheets

| <i>(In millions, except per share amounts)</i>                                  | <b>Unaudited</b>          |                          |
|---|---------------------------|--------------------------|
|   | <b>As of</b>              | <b>As of</b>             |
|   | <b>September 30, 2013</b> | <b>December 31, 2012</b> |
| <b>Assets</b>   |                           |                          |
| Investments:  |                           |                          |
| Fixed maturities, at fair value (amortized cost, \$14,295; \$15,481)            | \$ 15,645                 | \$ 17,705                |
| Equity securities, at fair value (cost, \$149; \$121)                           | 140                       | 111                      |
| Commercial mortgage loans   | 2,404                     | 2,851                    |
| Policy loans  | 1,494                     | 1,501                    |
| Real estate   | 89                        | 83                       |
| Other long-term investments   | 1,260                     | 1,255                    |
| Short-term investments  | 763                       | 154                      |
| Total investments   | 21,795                    | 23,660                   |
| Cash and cash equivalents   | 3,055                     | 2,978                    |
| Accrued investment income   | 258                       | 258                      |
| Premiums, accounts and notes receivable, net                                    | 1,869                     | 1,777                    |
| Reinsurance recoverables  | 7,371                     | 6,256                    |
| Deferred policy acquisition costs   | 1,339                     | 1,198                    |
| Property and equipment  | 1,451                     | 1,120                    |
| Deferred income taxes, net  | 289                       | 374                      |
| Goodwill  | 6,035                     | 6,001                    |
| Other assets, including other intangibles                                       | 2,425                     | 2,355                    |
| Separate account assets   | 8,156                     | 7,757                    |
| <b>Total assets</b>   | <b>\$ 54,043</b>          | <b>\$ 53,734</b>         |
| <b>Liabilities</b>  |                           |                          |
| Contractholder deposit funds  | \$ 8,499                  | \$ 8,508                 |
| Future policy benefits  | 9,370                     | 9,265                    |
| Unpaid claims and claim expenses  | 4,195                     | 4,062                    |
| Global Health Care medical claims payable                                       | 1,962                     | 1,856                    |
| Unearned premiums and fees  | 588                       | 549                      |
| Total insurance and contractholder liabilities                                  | 24,614                    | 24,240                   |
| Accounts payable, accrued expenses and other liabilities                        | 6,065                     | 6,667                    |
| Short-term debt   | 205                       | 201                      |
| Long-term debt  | 5,034                     | 4,986                    |
| Separate account liabilities  | 8,156                     | 7,757                    |
| <b>Total liabilities</b>  | <b>44,074</b>             | <b>43,851</b>            |
| <b>Contingencies Note 17</b>  |                           |                          |
| Redeemable noncontrolling interest  | 95                        | 114                      |
| <b>Shareholders' Equity</b>   |                           |                          |
| Common stock (par value per share, \$0.25; shares issued, 366; authorized, 600) | 92                        | 92                       |
| Additional paid-in capital  | 3,344                     | 3,295                    |
| Net unrealized appreciation, fixed maturities                                   | \$ 535                    | \$ 883                   |
| Net unrealized appreciation (depreciation), equity securities                   | (1)                       | 4                        |
| Net unrealized depreciation, derivatives  | (21)                      | (28)                     |
| Net translation of foreign currencies   | 54                        | 69                       |
| Postretirement benefits liability adjustment                                    | (1,526)                   | (1,599)                  |
| Accumulated other comprehensive loss  | (959)                     | (671)                    |
| Retained earnings   | 13,327                    | 12,330                   |
| Less treasury stock, at cost  | (5,930)                   | (5,277)                  |

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|                                       |                 |                 |
|---------------------------------------|-----------------|-----------------|
| Total shareholders' equity            | 9,874           | 9,769           |
| Total liabilities and equity          | \$ 54,043       | \$ 53,734       |
| <b>Shareholders' Equity Per Share</b> | <b>\$ 35.64</b> | <b>\$ 34.18</b> |

*The accompanying Notes to the Consolidated Financial Statements (unaudited) are an integral part of these statements.*

Table of Contents**Cigna Corporation****Consolidated Statements of Changes in Total Equity**

| <b>Unaudited</b><br><b>For the three months ended September 30, 2013</b><br><i>(In millions)</i> | <b>Common<br/>Stock</b> | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Loss</b> | <b>Retained<br/>Earnings</b> | <b>Treasury<br/>Stock</b> | <b>Shareholder<br/>Equity</b> | <b>Noncontrolling<br/>Interest</b> | <b>Redeemable</b> |
|--|-------------------------|---|---|------------------------------|---------------------------|-------------------------------|------------------------------------|-------------------|
| Balance at July 1, 2013,   | \$ 92                   | \$ 3,326                                  | \$ (1,014)  | \$ 12,806                    | \$ (5,435)                | \$ 9,775                      | \$ 101                             |                   |
| Effect of issuing stock for employee benefit plans   |                         | 18  |   | (32)                         | 64                        | 50                            |                                    |                   |
| Other comprehensive income (loss)  |                         |   | 55  |                              |                           | 55                            | (6)                                |                   |
| Net income   |                         |   |   | 553                          |                           | 553                           |                                    |                   |
| Repurchase of common stock   |                         |   |   |                              | (559)                     | (559)                         |                                    |                   |
| <b>Balance at September 30, 2013</b>   | <b>\$ 92</b>            |   |   |                              |                           |                               |                                    |                   |