

CIGNA CORP
Form 10-Q/A
February 24, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
(Amendment No. 1)

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

For the quarterly period ended **June 30, 2004**

OR

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 1-8323

CIGNA Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

06-1059331

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

One Liberty Place, 1650 Market Street
Philadelphia, Pennsylvania 19192

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(215) 761-1000**

Not Applicable

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

Indicate by check mark 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. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2004, 137,526,222 shares of the issuer's common stock were outstanding.

Explanatory Note

CIGNA is filing this Amendment to Form 10-Q to reflect the restatement of its financial statements of its unaudited consolidated financial statements for the periods covered by this report. Please see Note 3 to the Financial Statements for specific information related to the restatement.

CIGNA historically accounted for stock option grants as fixed awards under Accounting Principles Board (APB) No. 25 and disclosed in the footnotes to the financial statements the expense based on the fair value of stock options pursuant to Statement of Financial Accounting Standards (SFAS) No. 123. While reviewing changes to its equity compensation plans and during the normal 2004 year-end closing process, CIGNA determined that certain stock option grants under these plans required variable rather than fixed accounting treatment under APB No. 25. Variable accounting should have been used because participants were permitted to elect to pay the option exercise price using restricted stock. As a result, CIGNA determined on February 7, 2005 the need to restate its financial statements included in the Form 10-K for the year ended December 31, 2003 and in each of the Form 10-Q filings for the three quarters ended September 30, 2004. CIGNA's management and the Audit Committee of CIGNA's Board of Directors discussed the restatement with CIGNA's independent registered public accounting firm.

This amended Form 10-Q/A does not attempt to modify or update any other disclosures set forth in the original Form 10-Q, except as required to reflect the effects of the restatement as described in Note 3 to the Financial Statements included in the amended Form 10-Q/A. Additionally, this amended Form 10-Q/A does not purport to provide a general update or discussion of any other developments at CIGNA after the date of the original filing. All information contained in this amended Form 10-Q/A and the original Form 10-Q is subject to updating and supplementing as provided in the periodic reports that CIGNA has filed and will file after the original filing date with the Securities and Exchange Commission. In addition, the filing of this amended Form 10-Q/A shall not be deemed an admission that the original filing, when made, included any untrue statement of material fact or omitted to state a material fact necessary to make a statement made therein not misleading. This amended Form 10-Q/A does not include the items from the original Form 10-Q that are not being amended.

Financial information included in reports on Form 10-K, Form 10-Q and Form 8-K (except the Form 8-K with the date of earliest event reported February 7, 2005) previously filed by CIGNA should not be relied upon and are superseded by the information in this Quarterly Report on Form 10-Q/A. CIGNA will also file amended quarterly reports on Form 10-Q/A for each of the first and third quarters of 2004 and an amended annual report on Form 10-K/A for the year ended December 31, 2003.

CIGNA CORPORATION

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As used herein, CIGNA refers to one or more of CIGNA Corporation and its consolidated subsidiaries.

Part I. FINANCIAL INFORMATION

Please note that the information contained in this Amendment, including the Consolidated Financial Statements and the Notes to the Financial Statements, does not reflect events occurring after the date of the original filing. Such events include, among others, the events described in our quarterly reports on Form 10-Q for the period ended September 30, 2004 and the events subsequently described in our current reports on Form 8-K. For a description of these events, please read our Exchange Act reports filed since the filing of the original Form 10-Q.

Item 1. Financial Statements

**CIGNA CORPORATION
CONSOLIDATED
STATEMENTS OF INCOME**

(In millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(As Restated, see Note 3)		(As Restated, see Note 3)	
REVENUES				
Premiums and fees	\$ 3,507	\$ 3,859	\$ 7,131	\$ 7,774
Net investment income	355	668	958	1,326
Other revenues	356	(2)	830	356
Realized investment gains	415	109	436	78
Total revenues	4,633	4,634	9,355	9,534
BENEFITS, LOSSES AND EXPENSES				
Benefits, losses and settlement expenses	2,485	3,330	5,449	6,579
Policy acquisition expenses	61	61	125	120
Other operating expenses	1,345	1,323	2,720	2,634
Total benefits, losses and expenses	3,891	4,714	8,294	9,333
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES (BENEFITS)				
	742	(80)	1,061	201
Income taxes (benefits):				
Current	449	63	591	(8)
Deferred	(200)	(88)	(235)	77
Total taxes (benefits)	249	(25)	356	69
INCOME (LOSS) FROM CONTINUING OPERATIONS				
	493	(55)	705	132
INCOME FROM DISCONTINUED OPERATIONS				
	-	-	-	48
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE				
	493	(55)	705	180
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAXES				
	-	-	(139)	-

NET INCOME (LOSS)	\$	493	\$	(55)	\$	566	\$	180
EARNINGS PER SHARE - BASIC								
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$	3.55	\$	(0.39)	\$	5.06	\$	0.94
INCOME FROM DISCONTINUED OPERATIONS		-		-		-		0.35
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE		3.55		(0.39)		5.06		1.29
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAXES		-		-		(1.00)		-
NET INCOME (LOSS)	\$	3.55	\$	(0.39)	\$	4.06	\$	1.29
EARNINGS PER SHARE - DILUTED								
INCOME (LOSS) FROM CONTINUING OPERATIONS	\$	3.51	\$	(0.39)	\$	5.00	\$	0.94
INCOME FROM DISCONTINUED OPERATIONS		-		-		-		0.34
INCOME (LOSS) BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE		3.51		(0.39)		5.00		1.28
CUMULATIVE EFFECT OF ACCOUNTING CHANGE, NET OF TAXES		-		-		(0.98)		-
NET INCOME (LOSS)	\$	3.51	\$	(0.39)	\$	4.02	\$	1.28
DIVIDENDS DECLARED PER SHARE	\$	0.025	\$	0.330	\$	0.355	\$	0.660

The accompanying Notes to the Financial Statements are an integral part of these statements.

**CIGNA CORPORATION
CONSOLIDATED BALANCE
SHEETS**

(In millions, except per share amounts)

	As of June 30, 2004	As of December 31, 2003
ASSETS		
(As Restated, see Note 3)		
Investments:		
Fixed maturities, at fair value (amortized cost, \$15,776; \$15,772)	\$ 16,415	\$ 17,121
Securities supporting experience-rated pension policyholder contracts, at fair value (amortized cost, \$-; \$10,558)	-	11,222
Equity securities, at fair value (cost, \$111; \$47)	155	78
Mortgage loans	3,707	8,655
Policy loans	1,585	1,572
Real estate	74	146
Other long-term investments	379	717
Short-term investments	284	147
Total investments	22,599	39,658
Cash and cash equivalents	3,033	1,392
Accrued investment income	275	468
Premiums, accounts and notes receivable	2,672	3,026
Reinsurance recoverables	21,759	6,395
Deferred policy acquisition costs	481	580
Property and equipment	868	973
Deferred income taxes	1,633	1,040
Goodwill	1,620	1,620
Other assets, including other intangibles	465	447
Separate account assets	36,658	35,393
 Total assets	 \$ 92,063	 \$ 90,992
LIABILITIES		
Contractholder deposit funds	\$ 26,339	\$ 26,979
Unpaid claims and claim expenses	4,144	4,708
Future policy benefits	11,298	11,545
Unearned premiums	357	326
Total insurance and contractholder liabilities	42,138	43,558
	7,460	5,960

Accounts payable, accrued expenses and other liabilities		
Long-term debt	1,438	1,500
Nonrecourse obligations	47	23
Separate account liabilities	36,658	35,393
Total liabilities	87,741	86,434

CONTINGENCIES - NOTE 13**SHAREHOLDERS' EQUITY**

Common stock (par value per share, \$0.25; shares issued, 276; 275)	69	69
Additional paid-in capital	3,687	3,597
Net unrealized appreciation, fixed maturities	\$ 219	\$ 610
Net unrealized appreciation, equity securities	25	29
Net unrealized depreciation, derivatives	(6)	(12)
Net translation of foreign currencies	(16)	(14)
Minimum pension liability adjustment	(819)	(667)
Accumulated other comprehensive income (loss)	(597)	(54)
Retained earnings	10,019	9,503
Less treasury stock, at cost	(8,856)	(8,557)
Total shareholders' equity	4,322	4,558
Total liabilities and shareholders' equity	\$ 92,063	\$ 90,992
SHAREHOLDERS' EQUITY PER SHARE	\$ 31.46	\$ 32.42

The accompanying Notes to the Financial Statements are an integral part of these statements.

CIGNA CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME AND CHANGES IN
SHAREHOLDERS' EQUITY

(In millions)

Three Months Ended June 30,	2004		2003	
	Compre- hensive Income	Share- holders' Equity	Compre- hensive Income	Share- holders' Equity
	(As Restated, see Note 3)			
Common stock	\$	69	\$	68
Additional paid-in capital, April 1		3,646		3,533
Issuance of common stock for employee benefits plans		41		8
Additional paid-in capital, June 30		3,687		3,541
Accumulated other comprehensive loss, April 1		1		(125)
Net unrealized appreciation (depreciation), fixed maturities	\$	(544)	\$	186
Net unrealized depreciation, equity securities		(3)		(1)
Net unrealized appreciation (depreciation) on securities		(547)		185
Net unrealized depreciation, derivatives		(1)		(3)
Net translation of foreign currencies		(11)		6
Minimum pension liability adjustment		(39)		(13)
Other comprehensive income (loss)		(598)		175
Accumulated other comprehensive income (loss), June 30		(597)		50
Retained earnings, April 1		9,529		9,227
Net income (loss)	493	493	(55)	(55)
Common dividends declared		(3)		(46)
Retained earnings, June 30		10,019		9,126
Treasury stock, April 1		(8,577)		(8,538)
Repurchase of common stock		(284)		-
Other treasury stock transactions, net		5		(5)
Treasury stock, June 30		(8,856)		(8,543)
	\$	(105)	\$	120
		\$	\$	4,242

**TOTAL COMPREHENSIVE
INCOME (LOSS)
AND SHAREHOLDERS'
EQUITY**

Six Months Ended June 30,

Common stock	\$	69	\$	68
Issuance of common stock for employee benefits plans		-		-
Common stock, June 30		69		68
Additional paid-in capital, January 1		3,597		3,503
Issuance of common stock for employee benefits plans		90		38
Additional paid-in capital, June 30		3,687		3,541
Accumulated other comprehensive loss, January 1		(54)		(202)