Notes to the Consolidated Financial Statements

NOTE 1 Description of Business

Cigna Corporation, together with its subsidiaries (either individually or collectively referred to as "Cigna," the "Company," "we," "our" or "us") is a global health services organization dedicated to a mission of helping individuals improve their health, well-being and sense of security. To execute on our mission, Cigna's strategy is to "Go Deep", "Go Global" and "Go Individual" with a differentiated set of medical, dental, disability, life and accident insurance and related 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, Medicare and Medicaid products and health, life and accident insurance coverages to individuals in the U.S. and selected international markets. In addition to these ongoing operations, Cigna also has certain run-off operations.

NOTE 2 Summary of Significant Accounting Policies

A. Basis of Presentation

The Consolidated Financial Statements include the accounts of Cigna Corporation and its subsidiaries. Intercompany transactions and accounts have been eliminated in consolidation. These Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Amounts recorded in the Consolidated Financial Statements necessarily reflect management's estimates and assumptions about medical costs, investment valuation, interest rates and other factors. Significant estimates are discussed throughout these Notes; however, actual results could differ from those estimates. The impact of a change in estimate is generally included in earnings in the period of adjustment. Certain reclassifications have been made to prior year amounts to conform to the current presentation.

Variable interest entities. As of December 31, 2015 and 2014, the Company determined it was not a primary beneficiary in any material variable interest entities.

B. Recent Accounting Changes

Leases (Accounting Standards Update ("ASU") 2016-02). The Financial Accounting Standards Board ("FASB") amended lease accounting requirements to begin recording assets and liabilities arising from leases on the balance sheet. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This new guidance will become effective beginning January 1, 2019 using a modified restatement approach for leases in effect as of and after the date of adoption. Early adoption and certain practical expedients to measure the effect of adoption will also be allowed. While the Company is evaluating this new guidance to determine its timing and method of adoption and the estimated effects on its consolidated financial statements, assets and liabilities arising from leases are expected to increase based on the present value of remaining estimated lease payments at the time of adoption.

Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). In January 2016 the FASB issued guidance that will require entities to measure equity securities at fair value in net income if they are not consolidated or accounted for under the equity method. The new guidance also changes the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance for assessing the valuation allowance when recognizing deferred tax assets from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities was left largely unchanged. The new standard will be effective beginning January 1, 2018 and will be recognized as a cumulative adjustment to the beginning balance of retained earnings. If adopted as of December 31, 2015, the impact of this new guidance would have resulted in a cumulative effect adjustment to retained earnings of less than $10 million representing unrealized gains on equity securities that would be reclassified from accumulated other comprehensive income. The actual cumulative effect adjustment will depend on the portfolio and market conditions as of the date of implementation.

Disclosures about Short-Duration Insurance Contracts (ASU 2015-09). In May 2015, the FASB issued final guidance to enhance disclosure requirements for short-duration insurance contracts. The disclosures require more transparent information about an insurance entity's initial claim estimates and subsequent adjustments to those estimates, methodologies and judgments in estimating claims, and the timing, frequency and severity of claims. The impact of adoption is limited to increased disclosures including most insurance liabilities of the Global Health Care and Group Disability and Life segments. The Company plans to adopt the new disclosures, as required, in its 2016 annual financial statements.

Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). In the fourth quarter of 2015, the Company implemented the FASB's April 2015 amended guidance to simplify the presentation of debt issuance costs by reclassifying debt issuance costs from other assets, including other intangibles, to long-term debt. Amounts

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reported as of December 31, 2014 have been retrospectively adjusted The effect was not material to either caption

Revenue from Contracts with Customers (ASU 2014-09). In May 2014, the FASB issued new revenue recognition guidance that will apply to various contracts with customers to provide goods or services, including the Company's non-insurance, administrative services contracts It will not apply to certain contracts within the scope of other GAAP, such as insurance contracts This new guidance introduces a model that requires companies to estimate and allocate the expected contract revenue among distinct goods or services in the contract based on relative standalone selling prices Revenue is recognized as goods or services are delivered This new method replaces the current GAAP approach of recognizing revenue that is fixed and determinable primarily based on contract terms In addition, extensive new disclosures will be required including the presentation of additional categories of revenues and information about related contract assets and liabilities. This new guidance must be implemented on January 1, 2018; early adoption is permitted only as of January 1, 2017 The Company may choose to adopt these changes through retrospective restatement with or without using certain practical expedients or with a cumulative effect adjustment on adoption The Company continues to monitor developing implementation guidance and evaluate these new requirements for its non-insurance customer contracts to determine its method and timing of implementation and any resulting estimated effects on its financial statements

Amendments to the Consolidation Analysis (ASU 2015-02). In February 2015, the FASB issued guidance to improve targeted areas of consolidation guidance for legal entities such as limited partnerships, limited liability companies and securitization structures Among other provisions, the consolidation guidance specific to limited partnerships is eliminated and consolidation by a general partner is no longer presumed The new guidance applies retrospectively, with a cumulative effect adjustment to beginning Retained earnings at the date of adoption or through restatement of financial statements of comparative periods presented Effective on January 1, 2016 this guidance is expected to have no material effect on the Company's financial statements at adoption Additional disclosures will be provided beginning in 2016 about various real estate and security limited partnerships to be newly identified as variable interest entities for which the Company is not the primary beneficiary

Fees Paid to the Federal Government by Health Insurers (ASU 2011-06). Effective January 1, 2014, the Company adopted the FASB's accounting guidance for the health insurance industry assessment (the "tax") mandated by the Patient Protection and Affordable Care Act (referred to as "Health Care Reform") This non-deductible tax is being levied based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the U S health insurance industry total As required by the guidance, the Company reports a liability at the beginning of each year (accounts payable, accrued expenses and other liabilities) and a corresponding deferred cost (other assets, including other intangibles) based on a preliminary assessment of the full year tax The Company recognizes the tax in operating expenses on a straight line basis over the year, reduces the deferred cost correspondingly and pays the tax during the third quarter of each year The Company recognized operating expenses of $311 million in 2015 and $238 million in 2014 for the tax

Investment Company Accounting (ASU 2013-08). Effective January 1, 2014, the Company adopted the FASB's amended accounting guidance to change the criteria for reporting as an investment company, clarify the fair value measurement used by an investment company and require additional disclosures. This guidance also confirms that parent company accounting for an investment company should reflect fair value accounting While this guidance applies to certain of the Company's security and real estate partnership investments, its adoption did not have a material impact on the Company's financial statements

C. Investments

Fixed maturities and equity securities. Fixed maturities (including bonds, mortgage and other asset-backed securities and preferred stocks redeemable by the investor) and most equity securities are classified as available for sale and are carried at fair value with changes in fair value recorded in accumulated other comprehensive income (loss) within shareholders' equity The Company records impairment losses in net income for fixed maturities with fair value below amortized cost that meet either of the following conditions:

- If the Company intends to sell or determines that it is more likely than not to be required to sell these fixed maturities before their fair values recover, an impairment loss is recognized for the excess of the amortized cost over fair value
- If the net present value of projected future cash flows of a fixed maturity (based on qualitative and quantitative factors, including the probability of default, and the estimated timing and amount of recovery) is below the amortized cost basis, that difference is recognized as an impairment loss For mortgage and asset-backed securities, estimated future cash flows are also based on assumptions about the collateral attributes including prepayment speeds, default rates and changes in value

Commercial mortgage loans. These loans are made exclusively to commercial borrowers at a fixed rate of interest Commercial mortgage loans are carried at unpaid principal balances or, if impaired, the lower of unpaid principal or fair value of the underlying real estate If the fair value of the underlying real estate is less than unpaid principal of an impaired loan, a valuation reserve is recorded Commercial mortgage loans are considered impaired when it is probable that the Company will not collect amounts due according to the terms of the original loan agreement The Company monitors credit risk and assesses the impairment of loans individually and on a consistent basis for all loans in the portfolio The Company estimates the fair value of the underlying real estate using internal valuations generally based on discounted cash flow analyses Certain commercial mortgage loans without valuation reserves are considered impaired because the Company will not collect all interest due according to the terms of the original agreements; however, the Company expects to recover the unpaid principal because it is less than the fair value of the underlying real estate

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Policy loans. Policy loans are carried at unpaid principal balances plus accumulated interest, the total of which approximates fair value. The loans are collateralized by life insurance policy cash values and therefore have no exposure to credit loss Interest rates are reset annually based on an index

Other long-term investments. Other long-term investments include investments in unconsolidated entities These entities include certain limited partnerships and limited liability companies holding real estate, securities or loans These investments are carried at cost plus the Company's ownership percentage of reported income or loss in cases where the Company has significant influence; otherwise the investment is carried at cost Income from certain entities is reported on a one quarter lag depending on when their financial information is received Other long-term investments are considered impaired, and written down to their fair value, when cash flows indicate that the carrying value may not be recoverable Fair value is generally determined based on a discounted cash flow analysis

Other long-term investments also include investment real estate carried at depreciated cost less any impairment write downs to fair value when cash flows indicate that the carrying value may not be recoverable Depreciation is generally recorded using the straight-line method based on the estimated useful life of each asset Investment real estate as of December 31, 2015 and 2014 is expected to be held longer than one year and includes real estate acquired through the foreclosure of commercial mortgage loans

Additionally, other long-term investments include interest rate and foreign currency swaps carried at fair value. See Note 12 for information on the Company's accounting policies for these derivative financial instruments

Short-term investments. Security investments with maturities of greater than 90 days but less than one year from time of purchase are classified as short-term, available for sale and carried at fair value, that approximates cost

Derivative financial instruments. The Company applies hedge accounting when derivatives are designated, qualified and highly effective as hedges Effectiveness is formally assessed and documented at inception and each period throughout the life of a hedge using various quantitative methods appropriate for each hedge, including regression analysis and dollar offset Under hedge accounting, the changes in fair value of the derivative and the hedged risk are generally recognized together and offset each other when reported in shareholders' net income

The Company accounts for derivative instruments as follows:

- Derivatives are reported on the balance sheet at fair value with changes in fair values reported in shareholders' net income or accumulated other comprehensive income
- Changes in the fair value of derivatives that hedge market risk related to future cash flows and that qualify for hedge accounting are reported in accumulated other comprehensive income ("cash flow hedges")
- Changes in the fair value of a derivative instrument may not always equal changes in the fair value of the hedged item (referred to as "hedge ineffectiveness") The Company generally reports hedge ineffectiveness in realized investment gains and losses
- On early termination, the changes in fair value of derivatives that qualified for hedge accounting are reported in shareholders' net income (generally as part of realized investment gains and losses)

Net investment income. When interest and principal payments on investments are current, the Company recognizes interest income when it is earned The Company recognizes interest income on a cash basis when interest payments are delinquent based on contractual terms or when certain terms (interest rate or maturity date) of the investment have been restructured

Investment gains and losses. Realized investment gains and losses are based on specifically identified assets and result from sales, investment asset write-downs, changes in the fair values of certain derivatives and changes in valuation reserves on commercial mortgage loans

Unrealized gains and losses on fixed maturities and equity securities carried at fair value and certain derivatives are included in accumulated other comprehensive income (loss), net of deferred income taxes and amounts required to adjust future policy benefits for the run-off settlement annuity business

D. Cash and Cash Equivalents

Cash and cash equivalents are carried at cost that approximates fair value Cash equivalents consist of short-term investments with maturities of three months or less from the time of purchase The Company reclassifies cash overdraft positions to accounts payable, accrued expenses and other liabilities when the legal right of offset does not exist

E. Premiums, Accounts and Notes Receivable and Reinsurance Recoverables

Premiums, accounts and notes receivable and reinsurance recoverables are reported net of allowances for doubtful accounts and unrecoverable reinsurance of $78 million as of December 31, 2015 and $105 million as of December 31, 2014. The Company estimates these allowances for doubtful accounts and unrecoverable reinsurance using management's best estimates of collectability, taking into consideration the age of the outstanding amounts, historical collection patterns and other economic factors

F. Deferred Policy Acquisition Costs

Costs eligible for deferral include incremental, direct costs of acquiring new or renewal insurance and investment contracts and other costs directly related to successful contract acquisition Examples of deferrable costs include commissions, sales compensation and benefits, policy issuance and underwriting costs and premium taxes The Company records acquisition costs differently depending on the product line Acquisition costs for:

- *Universal life products* are deferred and amortized in proportion to the present value of total estimated gross profits over the expected lives of the contracts
- *Supplemental health, life and accident insurance (primarily individual products) and group health and accident insurance products* are deferred and amortized, generally in proportion to the ratio of periodic revenue to the estimated total revenues over the contract periods
- *Other products* are expensed as incurred

Deferred policy acquisition costs also include the value of business acquired with certain acquisitions

Each year, deferred policy acquisition costs are tested for recoverability For universal life and other individual products, management estimates the present value of future revenues less expected payments For group health and accident insurance products, management estimates the sum of unearned premiums and anticipated net investment income less future expected claims and related costs If management's estimates of these sums are less than the deferred costs, the Company reduces deferred policy acquisition costs and records an expense The Company recorded amortization for policy acquisition costs of $286 million in 2015, $289 million in 2014 and $255 million in 2013 primarily in other operating expenses

G. Property and Equipment

Property and equipment is carried at cost less accumulated depreciation When applicable, cost includes interest, real estate taxes and other costs incurred during construction Also included in this category is internal-use software that is acquired, developed or modified solely to meet the Company's internal needs, with no plan to market externally Costs directly related to acquiring, developing or modifying internal-use software are capitalized

The Company calculates depreciation and amortization principally using the straight-line method generally based on the estimated useful life of each asset as follows: buildings and improvements, 10 to 40 years; purchased software, one to five years; internally developed software, three to seven years; and furniture and equipment (including computer equipment), three to 10 years Improvements to leased facilities are depreciated over the lesser of the remaining lease term or the estimated life of the improvement The Company considers events and circumstances that would indicate the carrying value of property, equipment or capitalized software might not be recoverable. If the Company determines the carrying value of any of these assets is not recoverable, an impairment charge is recorded See Note 8 for additional information

H. Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of their net assets The resulting goodwill is assigned to those reporting units expected to realize cash flows from the acquisition, allocated to reporting units based on relative fair values and reported in the Global Health Care segment ($5 7 billion) and the Global Supplemental Benefits segment ($0 3 billion) The Company evaluates goodwill for impairment at least annually during the third quarter at the reporting unit level and writes it down through results of operations if impaired Fair value of a reporting unit is generally estimated based on either market data or a discounted cash flow analysis using assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price. The significant assumptions and estimates used in determining fair value include the discount rate and future cash flows A range of discount rates is used that corresponds with the reporting unit's weighted average cost of capital, consistent with that used for investment decisions considering the specific and detailed operating plans and strategies within the reporting units Projections of future cash flows for the reporting units are consistent with our annual planning process for revenues, claims, operating expenses, taxes, capital levels and long-term growth rates See Note 8 for additional information

I. Other Assets, including Other Intangibles

Other assets consist primarily of guaranteed minimum income benefits ("GMIB") assets and various other insurance-related assets The Company's other intangible assets include purchased customer and producer relationships, provider networks and trademarks. The fair value of purchased customer relationships and the amortization method were determined as of the dates of purchase using an income approach that relies on projected future net cash flows including key assumptions for the customer attrition rate and discount rate The Company amortizes other intangibles on an accelerated or straight-line basis over periods from five to 30 years Management revises amortization periods if it believes there has been a change in the length of time that an intangible asset will continue to have value Costs incurred to renew or extend the terms of these intangible assets are generally expensed as incurred See Notes 8 and 10 for additional information

J. Separate Account Assets and Liabilities

Separate account assets and liabilities are contractholder funds maintained in accounts with specific investment objectives. The assets of these accounts are legally segregated and are not subject to claims that arise out of any of the Company's other businesses These separate account assets are carried at fair value with equal amounts for related separate account liabilities The investment income, gains and losses of these accounts generally accrue to the contractholders and, together with their deposits and withdrawals, are excluded from the Company's Consolidated Statements of Income and Cash Flows Fees and charges earned for mortality risks, asset management or administrative services are reported in either premiums or fees and other revenues

K. Contractholder Deposit Funds

Liabilities for contractholder deposit funds primarily include deposits received from customers for investment-related and universal life products and investment earnings on their fund balances These

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liabilities are adjusted to reflect administrative charges and, for universal life fund balances, mortality charges In addition, this caption includes: 1) premium stabilization reserves under group insurance contracts representing experience refunds left with the Company to pay future premiums; 2) deposit administration funds used to fund non-pension retiree insurance programs; 3) retained asset accounts; and 4) annuities or supplementary contracts without significant life contingencies Interest credited on these funds is accrued ratably over the contract period

L. Future Policy Benefits

Future policy benefits represent the present value of estimated future obligations under long-term life and supplemental health insurance policies and annuity products currently in force These obligations are estimated using actuarial methods and consist primarily of reserves for annuity contracts, life insurance benefits, guaranteed minimum death benefit ("GMDB") contracts (see Note 7 for additional information) and certain health, life and accident insurance products of our Global Supplemental Benefits segment

Obligations for annuities represent specified periodic benefits to be paid to an individual or groups of individuals over their remaining lives Obligations for life insurance policies and GMDB contracts represent benefits to be paid to policyholders, net of future premiums to be received Management estimates these obligations based on assumptions as to premiums, interest rates, mortality or morbidity, future claim adjudication expenses and surrenders, allowing for adverse deviation as appropriate Mortality, morbidity and surrender assumptions are based on the Company's own experience and published actuarial tables Interest rate assumptions are based on management's judgment considering the Company's experience and future expectations, and range from 0 1% to 9% Obligations for the run-off settlement annuity business include adjustments for realized and unrealized investment returns consistent with requirements of GAAP when a premium deficiency exists

M. Unpaid Claims and Claims Expenses

Liabilities for unpaid claims and claim expenses are estimates of future payments under insurance coverages (primarily long-term disability, life and health) for reported claims and for losses incurred but not yet reported When estimates of these liabilities change, the Company immediately records the adjustment in benefits and expenses.

The Company consistently estimates incurred but not yet reported losses using actuarial principles and assumptions based on historical and projected claim incidence patterns, claim size and the expected payment period The Company recognizes the actuarial best estimate of the ultimate liability within a level of confidence, consistent with actuarial standards of practice that the liabilities be adequate under moderately adverse conditions

The Company's liability for disability claims reported but not yet paid is the present value of estimated future benefit payments over the expected disability period The Company projects the expected disability period by using historical resolution rates combined with an analysis of current trends and operational factors to develop current estimates of resolution rates Using the Company's experience, expected claim resolution rates may vary based upon the anticipated disability period, the covered benefit period, cause of disability, benefit design and the policyholder's age, gender and income level The gross monthly benefit is reduced (offset) by disability income received under other benefit programs, such as Social Security Disability Income, workers' compensation, statutory disability or other group benefit plans For offsets not yet finalized, the Company estimates the probability and amount of the offset based on the Company's experience over the past three to five years.

The Company discounts certain unpaid claim liabilities because benefit payments are made over extended periods Substantially all of these liabilities are associated with the group long-term disability business Discount rate assumptions for that business are based on projected investment returns for the asset portfolios that support these liabilities and range from 4 4% to 5 7% Discounted liabilities were $3 7 billion at December 31, 2015 and $3 9 billion at December 31, 2014.

N. Global Health Care Medical Costs Payable

Medical costs payable for the Global Health Care segment include reported claims, estimates for losses incurred but not yet reported and liabilities for services rendered by providers, as well as liabilities under risk-sharing and quality management arrangements with providers The Company uses actuarial principles and assumptions consistently applied each reporting period and recognizes the actuarial best estimate of the ultimate liability within a level of confidence This approach is consistent with actuarial standards of practice that the liabilities be adequate under moderately adverse conditions

The liability is primarily calculated using "completion factors" developed by comparing the claim incurral date to the date claims were paid. Completion factors are impacted by several key items including changes in: 1) electronic (auto-adjudication) versus manual claim processing, 2) provider claims submission rates, 3) membership and 4) the mix of products The Company uses historical completion factors combined with an analysis of current trends and operational factors to develop current estimates of completion factors The Company estimates the liability for claims incurred in each month by applying the current estimates of completion factors to the current paid claims data This approach implicitly assumes that historical completion rates will be a useful indicator for the current period

For the more recent months, the Company relies on medical cost trend analysis that reflects expected claim payment patterns and other relevant operational considerations Medical cost trend is primarily impacted by medical service utilization and unit costs that are affected by changes in the level and mix of medical benefits offered, including inpatient, outpatient and pharmacy, the impact of copays and deductibles, changes in provider practices and changes in consumer demographics and consumption behavior

For each reporting period, the Company compares key assumptions used to establish the medical costs payable to actual experience When actual experience differs from these assumptions, medical costs payable are adjusted through current period shareholders' net income Additionally, the Company evaluates expected future developments and emerging trends that may impact key assumptions The estimation process involves considerable judgment, reflecting the variability inherent in forecasting future claim payments These estimates are highly sensitive to changes in the Company's key assumptions, specifically completion factors and medical cost trends See Note 5 for further information

O. Redeemable Noncontrolling Interests

Products and services are offered in Turkey and India through joint venture entities for which the Company is the primary beneficiary Accordingly, these entities are consolidated The redeemable noncontrolling interests on our consolidated balance sheet represent our joint venture partners' preferred and common stock interests in these entities Our joint venture partners may, at their election, require the Company to purchase their redeemable noncontrolling interests We also have the right to require our joint venture partners to sell their redeemable noncontrolling interests to us The redeemable noncontrolling interests were recorded at fair value as of the dates of purchase When the estimated redemption value for a redeemable noncontrolling interest exceeds its carrying value, an adjustment to increase the redeemable noncontrolling interest is recorded with an offsetting reduction to additional paid-in capital When an adjustment is made to the carrying value of the redeemable noncontrolling interest, the calculation of shareholders' net income per share will be adjusted if the redemption value exceeds the greater of the carrying value or fair value

P. Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities include liabilities for pension, other postretirement and postemployment benefits (see Note 9), GMIB contract liabilities (see Note 10), self-insured exposures, management compensation, cash overdraft positions and various insurance-related liabilities, including experience-rated refunds, the minimum medical loss ratio rebate accrual under Health Care Reform and reinsurance contracts Legal costs to defend the Company's litigation and arbitration matters are expensed when incurred in cases where the Company cannot reasonably estimate the ultimate cost to defend In cases where the Company can reasonably estimate the cost to defend, a liability for these costs is accrued when the claim is reported

Q. Translation of Foreign Currencies

The Company generally conducts its international business through foreign operating entities that maintain assets and liabilities in local currencies that are generally their functional currencies The Company uses exchange rates as of the balance sheet date to translate assets and liabilities into U S dollars Translation gains or losses on functional currencies, net of applicable taxes, are recorded in accumulated other comprehensive income (loss) The Company uses average monthly exchange rates during the year to translate revenues and expenses into U S dollars

R. Premiums and Related Expenses

Premiums for group life, accident and health insurance and managed care coverages are recognized as revenue on a pro rata basis over the contract period Benefits and expenses are recognized when incurred, and for our Global Health Care business, medical costs are presented net of pharmaceutical manufacturer rebates For experience-rated contracts, premium revenue includes an adjustment for experience-rated refunds based on contract terms and calculated using the customer's experience (including estimates of incurred but not reported claims)

Premium revenue also includes an adjustment to reflect the estimated effect of rebates due to customers under the commercial minimum medical loss ratio provisions of Health Care Reform These rebates are settled in the year following the policy year

Premiums received for the Company's Medicare Advantage Plans and Medicare Part D products from customers and the Centers for Medicare and Medicaid Services ("CMS") are recognized as revenue ratably over the contract period CMS provides risk-adjusted premium payments for Medicare Advantage Plans and Medicare Part D products based on the demographics and health severity of enrollees The Company recognizes periodic changes to risk-adjusted premiums as revenue when the amounts are determinable and collection is reasonably assured Additionally, Medicare Part D premiums include payments from CMS for risk sharing adjustments The risk sharing adjustments that are estimated quarterly based on claim experience, compare actual incurred drug benefit costs to estimated costs submitted in original contracts and may result in more or less revenue from CMS Final revenue adjustments are determined and settled with CMS in the year following the contract year Premium revenue also includes an adjustment to reflect the estimated effect of rebates due to CMS under the Medicare Advantage and Medicare Part D minimum medical loss ratio provisions of Health Care Reform

Accounting for Health Care Reform's Risk Mitigation Programs. Beginning in 2014, as prescribed by Health Care Reform, programs went into effect to reduce the risk for participating health insurance companies selling coverage on the public exchanges

- ***A three-year (2014-2016) reinsurance program*** is designed to provide reimbursement to insurers for high cost individual business sold on or off the public exchanges The reinsurance entity established by the U S Department of Health and Human Services ("HHS") is funded by a per-customer reinsurance fee assessed on all insurers, Health Maintenance Organizations ("HMOs") and self-insured group health plans, excluding certain products such as Medicare Advantage and Medicare Part D Only non-grandfathered individual plans are eligible for recoveries if claims exceed a specified threshold, up to a reinsurance cap Reinsurance contributions associated with non-grandfathered individual plans are reported as a reduction in premium revenue, and estimated reinsurance recoveries are established with an offsetting reduction in Global Health Care medical costs Reinsurance fee contributions for other insured business are reported in other operating expenses Final recoverable amounts are determined and settled with HHS in the year following the policy year

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- *A premium stabilization program* is comprised of two components: 1) a *permanent component* that reallocates funds from insurers with lower risk populations to insurers with higher risk populations based on the relative risk scores of participants in non-grandfathered plans in the individual and small group markets, both on and off the exchanges We estimate our receivable or payable based on the risk of our members compared to the risk of other members in the same state and market, considering data obtained from industry studies and HHS; and 2) a *temporary (2014-2016) component* designed to limit insurer gains and losses by comparing allowable medical costs to a target amount as defined by HHS This program applies to individual and small group qualified health plans, operating on and off the exchanges Variances from the target amount exceeding certain thresholds may result in amounts due to or due from HHS

  For the premium stabilization program, the Company records receivables or payables as adjustments to premium revenue based on our year-to-date experience when the amounts are reasonably estimable and collection is reasonably assured. Final revenue adjustments are determined by HHS in the year following the policy year

Premiums for individual life, accident and supplemental health insurance and annuity products, excluding universal life and investment-related products, are recognized as revenue when due. Benefits and expenses are matched with premiums.

Revenue for universal life products is recognized as follows:

- Investment income on assets supporting universal life products is recognized in net investment income as earned
- Charges for mortality, administration and policy surrender are recognized in premiums as earned Administrative fees are considered earned when services are provided

Benefits and expenses for universal life products consist of benefit claims in excess of policyholder account balances Expenses are recognized when claims are incurred, and income is credited to policyholders in accordance with contract provisions

The unrecognized portion of premiums received is recorded as unearned premiums

S. Fees, Related Expenses and Mail Order Pharmacy Revenues and Costs

Contract fees for administrative services only ("ASO") programs and pharmacy programs and services are recognized in fees and other revenues as services are provided, net of pharmaceutical manufacturer rebates payable to clients and estimated refunds under performance guarantees Expenses associated with these programs and services are recognized in other operating expenses as incurred, net of pharmaceutical rebates from manufacturers In some cases, the Company provides performance guarantees associated with meeting certain service standards, clinical outcomes or financial metrics If these service standards, clinical outcomes or financial metrics are not met, the Company may be financially at risk up to a stated percentage of the contracted fee or a stated dollar amount The Company establishes deferred revenues for estimated payouts associated with these performance guarantees Approximately 12% of ASO fees reported for the year ended December 31, 2015 were at risk, with reimbursements estimated to be approximately 1%

Revenue for investment-related products is recognized as follows:

- Investment income on assets supporting investment-related products is recognized in net investment income as earned
- Contract fees based upon related administrative expenses are recognized in fees and other revenues as they are earned ratably over the contract period

Benefits and expenses for investment-related products consist primarily of income credited to policyholders in accordance with contract provisions.

Mail order pharmacy revenues and the cost of prescriptions are recognized as each prescription is shipped Mail order pharmacy revenues are presented net of pharmaceutical manufacturer rebates payable to clients. Mail order pharmacy costs include the cost of prescriptions sold and other costs to operate this business including supplies, shipping and handling, net of pharmaceutical rebates from manufacturers

T. Stock Compensation

The Company records compensation expense for stock awards and options over their vesting periods primarily based on the estimated fair value at the grant date For stock options, fair value is estimated using an option-pricing model, whereas for restricted stock grants and units, fair value is equal to the market price of the Company's common stock on the date of grant Compensation expense for strategic performance shares is recorded over the performance period For strategic performance shares with payment dependent on a market condition, fair value is determined at the grant date using a Monte Carlo simulation model and not subsequently adjusted regardless of the final outcome For strategic performance shares with payment dependent on performance conditions, expense is initially accrued based on the most likely outcome, but evaluated for adjustment each period for updates in the expected outcome At the end of the performance period, expense is adjusted to the actual outcome (number of shares awarded times the share price at the grant date) See Note 20 for additional information on the Company's stock compensation plans

U. Participating Business

The Company's participating life insurance policies entitle policyholders to earn dividends that represent a portion of the earnings of the Company's life insurance subsidiaries. Participating insurance accounted for approximately 1% of the Company's total life insurance in force at the end of 2015, 2014 and 2013

V. Income Taxes

Deferred income tax assets and liabilities are recognized for differences between the financial and income tax reporting bases of the underlying assets and liabilities and established based upon enacted tax rates and laws Deferred income tax assets are recognized when available evidence indicates that realization is more likely than not

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The deferred income tax provision generally represents the net change in deferred income tax assets and liabilities during the year, exclusive of amounts reported as adjustments to accumulated other comprehensive income or amounts initially recorded due to business combinations The current income tax provision generally represents the estimated amounts due on the various income tax returns for the year reported plus the effect of any uncertain tax positions Uncertain tax positions are evaluated in accordance with GAAP

Income tax provisions related to the Company's foreign operations are generally determined based upon the local country income tax rate

See Note 19 for additional information.

W. Earnings Per Share

The Company computes basic earnings per share using the weighted-average number of unrestricted common and deferred shares outstanding. Diluted earnings per share also includes the dilutive effect of outstanding employee stock options and unvested restricted stock granted after 2009 using the treasury stock method and the effect of strategic performance shares See Note 4 for additional information

NOTE 3 Acquisitions and Dispositions

Proposed Merger

On July 23, 2015, the Company entered into a merger agreement with Anthem, Inc ("Anthem") and Anthem Merger Sub Corp ("Merger Sub"), a direct wholly owned subsidiary of Anthem The merger agreement provides (a) for the merger of the Company and Merger Sub, with the Company continuing as the surviving corporation and (b) if certain tax opinions are delivered, immediately following the completion of the initial merger, for the surviving corporation to be merged with and into Anthem, with Anthem continuing as the surviving corporation (collectively, the "merger") Subject to certain terms, conditions, and customary operating covenants, each share of Cigna common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive (a) $103 40 in cash, without interest, and (b) 0 5152 of a share of Anthem common stock The closing price of Anthem common stock on February 24, 2016 was $130 75

At special shareholders' meetings held in December 2015, Cigna shareholders approved the merger and Anthem shareholders approved the issuance of shares of Anthem common stock in connection with the merger Completing the merger remains subject to certain customary conditions, including the receipt of certain necessary governmental and regulatory approvals and the absence of a legal restraint prohibiting the merger Completing the merger is not subject to a financing condition

If the merger agreement is terminated under certain circumstances, Anthem will be required to pay Cigna a termination fee of $1 85 billion Anthem's obligation to pay the termination fee arises if the merger agreement is terminated because: (1) a governmental entity, such as the Department of Justice or a state Department of Insurance, has prevented the merger for regulatory reasons and that decision is final and non-appealable; or (2) the merger has not closed by January 31, 2017 (subject to extension to April 30, 2017 under certain circumstances) only because all necessary regulatory approvals have not been received

The merger agreement contains customary covenants, including covenants that Cigna conduct its business in the ordinary course during the period between entering into the merger agreement and closing In addition, Cigna's ability to take certain actions prior to closing without Anthem's consent is subject to certain limitations These limitations relate to, among other matters, the payment of dividends, capital expenditures, the payment or retirement of indebtedness or the incurrence of new indebtedness, settlement of material claims or proceedings, mergers or acquisitions, and certain employment-related matters

The transaction is expected to close in the second half of 2016

For the year ended December 31, 2015, the Company incurred pre-tax costs of $66 million ($57 million after-tax) directly related to the proposed merger These costs consisted primarily of fees for financial advisory, legal and other professional services

Acquisitions

The Company completed certain acquisitions during the three years ended December 31, 2015 In accordance with GAAP, the purchase price for each acquisition was allocated to the tangible and intangible net assets acquired based on management's preliminary estimates of their fair values The results of acquisition activities for these years were not material to the Company's results of operations, liquidity or financial condition

NOTE 4 Earnings Per Share

Basic and diluted earnings per share were computed as follows:

(Shares in thousands, dollars in millions, except per share amounts)	Basic	Effect of Dilution	Diluted
2015			
Shareholders' net income	$ 2,094	$ -	$ 2,094
Shares			
Weighted average	256,149	-	256,149
Common stock equivalents		4,443	4,443
Total shares	256,149	4,443	260,592
EPS	$ 8.17	$ (0.13)	$ 8.04
2014			
Shareholders' net income	$ 2,102	$ -	$ 2,102
Shares			
Weighted average	263,889	-	263,889
Common stock equivalents		4,714	4,714
Total shares	263,889	4,714	268,603
EPS	$ 7.97	$ (0.14)	$ 7.83
2013			
Shareholders' net income	$ 1,476	$ -	$ 1,476
Shares			
Weighted average	279,296	-	279,296
Common stock equivalents		5,389	5,389
Total shares	279,296	5,389	284,685
EPS	$ 5.28	$ (0.10)	$ 5.18

The following outstanding employee stock options were not included in the computation of diluted earnings per share because their effect was anti-dilutive

(In millions)	2015	2014	2013
Anti-dilutive options	0.4	1.0	0.9

NOTE 5 Global Health Care Medical Costs Payable

Medical costs payable for the Global Health Care segment reflects estimates of the ultimate cost of claims that have been incurred but not yet reported, those that have been reported but not yet paid (reported costs in process), and other medical expenses payable that are primarily comprised of accruals for incentives and other amounts payable to health care professionals and facilities, as follows:

(In millions)	2015	2014
Incurred but not yet reported	$ 1,757	$ 1,777
Reported costs in process	470	288
Physician incentives and other medical care expense and services payable	128	115
MEDICAL COSTS PAYABLE	$ 2,355	$ 2,180

Activity in medical costs payable was as follows:

(In millions)	2015	2014	2013
Balance at January 1,	$ 2,180	$ 2,050	$ 1,856
Less: Reinsurance and other amounts recoverable	252	194	242
Balance at January 1, net	1,928	1,856	1,614
Incurred costs related to:			
Current year	18,564	16,853	16,049
Prior years	(210)	(159)	(182)
Total incurred	18,354	16,694	15,867
Paid costs related to:			
Current year	16,588	14,966	14,267
Prior years	1,582	1,656	1,358
Total paid	18,170	16,622	15,625
Balance at December 31, net	2,112	1,928	1,856
Add: Reinsurance and other amounts recoverable	243	252	194
Balance at December 31,	$ 2,355	$ 2,180	$ 2,050

Reinsurance and other amounts recoverable reflect amounts due from reinsurers and policyholders to cover incurred but not reported and pending claims for minimum premium products and certain ASO business where the right of offset does not exist. See Note 7 for additional information on reinsurance. For the year ended December 31, 2015, actual experience differed from the Company's key assumptions resulting in favorable incurred costs related to prior years' medical costs payable of $210 million, or 1.3% of the current year incurred costs as reported for the year ended December 31, 2014. Actual completion factors accounted for $62 million, or 0.4%, while actual medical cost trend resulted in $115 million, or 0.7%. The remaining $33 million, or 0.2%, was primarily related to an increase in the 2014 reinsurance reimbursement rate from CMS under Health Care Reform.

For the year ended December 31, 2014, actual experience differed from the Company's key assumptions, resulting in favorable incurred costs related to prior years' medical costs payable of $159 million, or 1.0% of the current year incurred costs as reported for the year ended December 31, 2013. Actual completion factors accounted for $61 million of favorability, or 0.4%, while actual medical cost trend resulted in the remaining $98 million, or 0.6%.

The impact of prior year development on shareholders' net income was $60 million for the year ended December 31, 2015 compared with $53 million for the year ended December 31, 2014. The favorable effect of prior year development for both years primarily reflects low utilization of medical services. Incurred costs related to prior years in the table above do not directly correspond to an increase or decrease to shareholders' net income. The primary reason for the difference is that decreases to prior year incurred costs pertaining to the portion of the liability established for moderately adverse conditions are not considered as impacting shareholders' net income if they are offset by increases in the current year provision for moderately adverse conditions. The determination of liabilities for Global Health Care medical costs payable requires the Company to make critical accounting estimates. See Note 2(N) for further information about the assumptions and estimates used to establish this liability.

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NOTE 6 Organizational Efficiency Plan

The Company is regularly evaluating ways to deliver its products and services more efficiently and at a lower cost During the fourth quarter of 2013, the Company committed to a plan to increase its organizational efficiency and reduce costs through a series of actions including employee headcount reductions As a result, the Company recognized a charge in other operating expenses of $60 million pre-tax ($40 million after-tax) in the fourth quarter of 2013, primarily for severance costs As of December 31, 2015, the remaining balance associated with this plan was not material

NOTE 7 Reinsurance

The Company's insurance subsidiaries enter into agreements with other insurance companies to assume and cede reinsurance Reinsurance is ceded primarily to limit losses from large exposures and to permit recovery of a portion of direct or assumed losses Reinsurance is also used in acquisition and disposition transactions when the underwriting company is not being acquired Reinsurance does not relieve the originating insurer of liability Therefore, reinsured liabilities must continue to be reported along with the related reinsurance recoverables The Company regularly evaluates the financial condition of its reinsurers and monitors concentrations of its credit risk

Effective Exit of GMDB and GMIB Business

In 2013, the Company entered into an agreement with Berkshire Hathaway Life Insurance Company of Nebraska ("Berkshire") to effectively exit the GMDB and GMIB business via a reinsurance transaction Berkshire reinsured 100% of the Company's future claim payments in this business, net of retrocessional arrangements existing at that time The reinsurance agreement is subject to an overall limit with approximately $3 6 billion remaining at December 31, 2015

This transaction resulted in an after-tax charge to shareholders' net income in the first quarter of 2013 of $507 million ($781 million pre-tax reported as follows: $727 million in other benefit expenses; $54 million in other operating expenses, including $45 million of GMIB fair value loss) The payment to Berkshire under the agreement was $2 2 billion and was funded from the sale of investment assets, tax benefits related to the transaction and available parent cash

GMDB

The Company estimates this liability with an internal model based on the Company's experience and future expectations over an extended period, consistent with the long-term nature of this product Because the product is premium deficient, the Company records increases to the reserve if it is inadequate based on the model As a result of the reinsurance transaction, reserve increases have a corresponding increase in the recorded reinsurance recoverable, provided the increased recoverable remains within the overall Berkshire limit (including the GMIB assets).

Activity in future policy benefit reserves for the GMDB business was as follows:

(In millions)	2015	2014	2013
Balance at January 1,	$ 1,270	$ 1,396	$ 1,090
Add: Unpaid claims	16	18	24
Less: Reinsurance and other amounts recoverable	1,186	1,317	42
Balance at January 1, net	100	97	1,072
Add: Incurred benefits	3	3	699
Less: Paid benefits (including the $1,647 payment for Berkshire reinsurance transaction)	(3)	-	1,674
Ending balance, net	100	100	97
Less: Unpaid claims	18	16	18
Add: Reinsurance and other amounts recoverable	1,164	1,186	1,317
Balance at December 31,	$ 1,252	$ 1,270	$ 1,396

Benefits paid and incurred are net of ceded amounts, including the impact of the 2013 reinsurance transaction with Berkshire The ending net retained reserve as of December 31, 2015 and December 31, 2014 covers ongoing administrative expenses, as well as the minor claim exposure retained by the Company

The majority of the exposure arises under annuities that guarantee that the benefit received at death will be no less than the highest historical account value of the related mutual fund investments on a contractholder's anniversary date Under this type of death benefit, the Company is liable to the extent the highest historical anniversary account value exceeds the fair value of the related mutual fund investments at the time of a contractholder's death

The table below presents the account value, net amount at risk and average attained age of underlying contractholders for guarantees assumed by the Company in the event of death. The net amount at risk is the amount that the Company would have to pay if all contractholders died as of the specified date Unless the Berkshire reinsurance limit is exceeded, the Company should be reimbursed in full for these payments

(Dollars in millions, excludes impact of reinsurance ceded)	2015	2014
Account value	$ 11,355	$ 13,078
Net amount at risk	$ 2,870	$ 2,763
Average attained age of contractholders (weighted by exposure)	74	73
Number of contractholders	324,000	354,000

Effects of Reinsurance

The following table presents direct, assumed and ceded premiums for both short-duration and long-duration insurance contracts It also presents reinsurance recoveries that have been netted against benefits and expenses in the Company's Consolidated Statements of Income

(In millions)	2015	2014	2013
Premiums			
Short-duration contracts:			
Direct	$ 26,751	$ 24,294	$ 23,056
Assumed	289	429	394
Ceded	(254)	(226)	(252)
	26,786	24,497	23,198
Long-duration contracts:			
Direct	3,061	2,921	2,485
Assumed	111	173	183
Ceded:			
Individual life insurance and annuity business sold	(158)	(254)	(176)
Other	(158)	(123)	(115)
	2,856	2,717	2,377
TOTAL	$ 29,642	$ 27,214	$ 25,575
Reinsurance recoveries			
Individual life insurance and annuity business sold	$ 301	$ 366	$ 335
Other	436	292	(18)
TOTAL	$ 737	$ 658	$ 317

Recoveries were lower in 2013 primarily due to activity related to the Berkshire transaction

The effects of reinsurance on written premiums for short-duration contracts were not materially different from the recognized premium amounts shown in the table above

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Reinsurance Recoverables

The majority of the Company's reinsurance recoverables balance resulted from acquisition and disposition transactions in which the underwriting company was not acquired. Components of the Company's reinsurance recoverables are presented below:

(In millions)

Line of Business	Reinsurer(s)	December 31, 2015	December 31, 2014	Collateral and Other Terms at December 31, 2015
GMDB	Berkshire	$ 1,123	$ 1,147	100% were secured by assets in a trust
	Other	41	39	100% were secured by assets in a letter of credit or a trust.
Individual Life and Annuity (sold in 1998)	Lincoln National Life and Lincoln Life & Annuity of New York	3,705	3,817	Both companies' ratings were sufficient to avoid triggering a contractual obligation to fully secure the outstanding balance
Retirement Benefits Business (sold in 2004)	Prudential Retirement Insurance and Annuity	995	1,092	100% were secured by assets in a trust
Supplemental Benefits Business (2012 acquisition)	Great American Life	315	336	99% were secured by assets in a trust
Global Health Care, Global Supplemental Benefits, Group Disability and Life	Various	553	561	Recoverables from approximately 75 reinsurers, including the U.S. Government, used in the ordinary course of business. Excluding the recoverable from the U.S. Government of approximately $160 million, current balances range from less than $1 million up to $88 million, with 18% secured by assets in trusts or letters of credit
Other run-off reinsurance	Various	81	88	100% of this balance was secured by assets in a trust and other deposits
Total reinsurance recoverables		$ 6,813	$ 7,080	

Over 90% of the Company's reinsurance recoverables were from companies that are rated A or higher by Standard & Poors at December 31, 2015. The Company reviews its reinsurance arrangements and establishes reserves against the recoverables in the event that recovery is not considered probable. As of December 31, 2015, the Company's recoverables were net of a reserve of $3 million.

The Company bears the risk of loss if its reinsurers and retrocessionaires do not meet or are unable to meet their reinsurance obligations to the Company.

NOTE 8 Goodwill, Other Intangibles, and Property and Equipment

Goodwill is primarily reported in the Global Health Care segment ($5.7 billion) and, to a lesser extent, the Global Supplemental Benefits segment ($0.3 billion).

Goodwill activity during 2015 and 2014 was as follows:

(In millions)	2015	2014
Balance at January 1,	$ 5,989	$ 6,029
Goodwill acquired:		
QualCare Alliance Networks, Inc.	74	—
Other	—	3
Impact of foreign currency translation	(44)	(43)
Balance at December 31,	$ 6,019	$ 5,989

Other intangible assets were comprised of the following at December 31:

(In millions)		Cost		Accumulated Amortization		Net Carrying Value
2015						
Customer relationships	$	1,264	$	867	$	397
Other		302		131		171
Total reported in other assets, including other intangibles		1,566		998		568
Value of business acquired (reported in deferred policy acquisition costs)		232		48		184
Internal-use software (reported in property and equipment)		2,442		1,708		734
TOTAL OTHER INTANGIBLE ASSETS	$	4,240	$	2,754	$	1,486
2014						
Customer relationships	$	1,266	$	779	$	487
Other		313		91		222
Total reported in other assets, including other intangibles		1,579		870		709
Value of business acquired (reported in deferred policy acquisition costs)		165		30		135
Internal-use software (reported in property and equipment)		2,191		1,467		724
TOTAL OTHER INTANGIBLE ASSETS	$	3,935	$	2,367	$	1,568

Property and equipment was comprised of the following as of December 31:

(In millions)		Cost		Accumulated Amortization		Net Carrying Value
2015						
Internal-use software	$	2,442	$	1,708	$	734
Other property and equipment		1,574		774		800
TOTAL PROPERTY AND EQUIPMENT	$	4,016	$	2,482	$	1,534
2014						
Internal-use software	$	2,191	$	1,467	$	724
Other property and equipment		1,740		962		778
TOTAL PROPERTY AND EQUIPMENT	$	3,931	$	2,429	$	1,502

Other property and equipment includes assets recorded under capital leases with a cost of $90 million, accumulated amortization of $44 million, and a net carrying value of $46 million as of December 31, 2015 Other property and equipment includes assets recorded under capital leases with a cost of $84 million, accumulated amortization of $36 million, and a net carrying value of $48 million as of December 31, 2014 Current capital lease agreements are for equipment and generally have a term of 48 months with the equipment returned to the lessor at the end of the term

Depreciation and amortization was comprised of the following for the years ended December 31:

(In millions)		2015		2014		2013
Internal-use software	$	288	$	260	$	225
Other property and equipment		160		153		160
Value of business acquired (reported in deferred policy acquisition costs)		18		12		19
Other intangibles[(1)]		119		163		193
TOTAL DEPRECIATION AND AMORTIZATION	$	585	$	588	$	597

(1) *Includes the one-time $23 million benefit of a 2015 acquisition in which the fair value of acquired net assets exceeded the purchase price*

Other property and equipment includes amortization on assets recorded under capital leases of $22 million in 2015 and $20 million in 2014

The Company estimates annual pre-tax amortization for intangible assets, including internal-use software, over the next five calendar years to be as follows: $432 million in 2016, $313 million in 2017, $216 million in 2018, $151 million in 2019, and $82 million in 2020

NOTE 9 Pension and Other Postretirement Benefit Plans

A. Pension and Other Postretirement Benefit Plans

The Company and certain of its subsidiaries provide pension, health care and life insurance defined benefits to eligible retired employees, spouses and other eligible dependents through various domestic and foreign plans The effect of its foreign pension and other postretirement benefit plans is immaterial to the Company's results of operations, liquidity and financial position The Company froze its defined benefit postretirement medical plan in 2013 and its primary domestic pension plans in 2009

As further discussed in Note 23, the Company and the Cigna Pension Plan are defendants in a class action lawsuit When the plan amendment related to this litigation is adopted, the pension benefit obligation will be updated to reflect benefits resulting from this litigation

The Company measures the assets and liabilities of its domestic pension and other postretirement benefit plans as of December 31 The following table summarizes the projected benefit obligations and assets related to the Company's domestic and international pension and other postretirement benefit plans as of, and for the year ended, December 31:

	Pension Benefits		Other Postretirement Benefits	
(In millions)	2015	2014	2015	2014
Change in benefit obligation				
Benefit obligation, January 1	$ 5,269	$ 4,700	$ 335	$ 323
Service cost	2	2	–	–
Interest cost	194	206	11	12
(Gain) loss from past experience	(239)	679	(19)	31
Effect of plan amendment	–	2	–	–
Benefits paid from plan assets	(270)	(291)	(3)	(5)
Benefits paid – other	(22)	(29)	(29)	(26)
Benefit obligation, December 31	4,934	5,269	295	335
Change in plan assets				
Fair value of plan assets, January 1	4,170	4,089	12	16
Actual return on plan assets	75	257	(1)	1
Benefits paid	(270)	(291)	(3)	(5)
Contributions	6	115	–	–
Fair value of plan assets, December 31	3,981	4,170	8	12
Funded Status	$ (953)	$ (1,099)	$ (287)	$ (323)

The postretirement benefits liability adjustment included in accumulated other comprehensive loss consisted of the following as of December 31:

	Pension Benefits		Other Postretirement Benefits	
(In millions)	2015	2014	2015	2014
Unrecognized net gain (loss)	$ (2,201)	$ (2,317)	$ 1	$ (16)
Unrecognized prior service cost	(7)	(7)	52	54
POSTRETIREMENT BENEFITS LIABILITY ADJUSTMENT	$ (2,208)	$ (2,324)	$ 53	$ 38

During 2015, the unfunded liability for the Company's pension and other postretirement benefit plans decreased by $182 million In addition, the postretirement benefits liability adjustment (recorded in accumulated other comprehensive income) decreased by $131 million pre-tax ($85 million after-tax) resulting in an increase to shareholders' equity These decreases were primarily due to an increase in the discount rate and a change in the mortality assumption (as discussed further in the assumptions section of this note)

Pension benefits. The Company funds its qualified pension plans at least at the minimum amount required by the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006 For 2016, the Company does not expect to make any contributions to the qualified pension plans because none are required Future years' contributions will ultimately be based on a wide range of factors including but not limited to asset returns, discount rates, and funding targets

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Components of net pension cost for the years ended December 31 were as follows:

(In millions)	2015	2014	2013
Service cost	$ 2	$ 2	$ 3
Interest cost	194	206	181
Expected long-term return on plan assets	(267)	(264)	(272)
Amortization of:			
Net loss from past experience	70	57	74
Settlement loss	–	6	–
NET PENSION COST	$ (1)	$ 7	$ (14)

The Company expects to recognize pre-tax losses of $66 million in 2016 from amortization of the net loss from past experience. This estimate is based on a weighted average amortization period for the frozen and inactive plans that is based on the average expected remaining life of plan participants of approximately 28 years.

Plan assets. The Company's current target investment allocation percentages (50% fixed income, 25% public equity securities, and 25% in other investments, including securities partnerships, hedge funds and real estate) are developed by management as guidelines, although the fair values of each asset category are expected to vary as a result of changes in market conditions. The Company would expect to further reduce the allocation to equity securities and increase the allocation to fixed income investments as funding levels improve.

As of December 31, 2015, pension plan assets included $3.6 billion invested in the separate accounts of Connecticut General Life Insurance Company and Life Insurance Company of North America, that are subsidiaries of the Company, as well as an additional $332 million invested directly in funds offered by the buyer of the retirement benefits business.

The fair values of plan assets by category and by the fair value hierarchy as defined by GAAP are as follows. See Note 10 for further details regarding how the Company determines fair value, including the level within the fair value hierarchy and the procedures the Company uses to validate fair value measurements.

December 31, 2015 (In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Plan assets at fair value:				
Fixed maturities:				
Federal government and agency	$ 1	$ 1	$ –	$ 2
Corporate	–	1,026	41	1,067
Mortgage and other asset-backed	–	19	2	21
Fund investments and pooled separate accounts [1]	–	553	3	556
TOTAL FIXED MATURITIES	1	1,599	46	1,646
Equity securities:				
Domestic	585	6	86	677
International, including funds and pooled separate accounts [1]	18	358	7	383
TOTAL EQUITY SECURITIES	603	364	93	1,060
Real estate, including pooled separate accounts [1]	–	–	362	362
Commercial mortgage loans	–	–	131	131
Securities partnerships	–	–	406	406
Hedge funds	–	–	256	256
Guaranteed deposit account contract	–	–	58	58
Cash equivalents and other current assets, net	–	62	–	62
TOTAL PLAN ASSETS AT FAIR VALUE	$ 604	$ 2,025	$ 1,352	$ 3,981

(1) *A pooled separate account has several participating benefit plans and each owns a share of the total pool of investments.*

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December 31, 2014 (In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Plan assets at fair value:				
Fixed maturities:				
Federal government and agency	$ 1	$ 1	$ –	$ 2
Corporate	–	1,025	35	1,060
Mortgage and other asset-backed	–	21	3	24
Fund investments and pooled separate accounts [(1)]	–	744	3	747
TOTAL FIXED MATURITIES	1	1,791	41	1,833
Equity securities:				
Domestic	640	5	73	718
International, including funds and pooled separate accounts [(1)]	131	241	7	379
TOTAL EQUITY SECURITIES	771	246	80	1,097
Real estate, including pooled separate accounts [(1)]	–	–	331	331
Commercial mortgage loans	–	–	110	110
Securities partnerships	–	–	357	357
Hedge funds	–	–	283	283
Guaranteed deposit account contract	–	–	44	44
Cash equivalents and other current assets, net	–	115	–	115
TOTAL PLAN ASSETS AT FAIR VALUE	$ 772	$ 2,152	$ 1,246	$ 4,170

(1) A pooled separate account has several participating benefit plans and each owns a share of the total pool of investments

Plan assets in Level 1 include exchange-listed equity securities Level 2 assets primarily include:

- fixed income and international equity funds priced using their daily net asset value that is the exit price; and
- fixed maturities valued using recent trades of similar securities or pricing models as described in Note 10

Plan assets classified in Level 3 include investments primarily in securities partnerships, equity real estate and hedge funds generally valued based on the pension plan's ownership share of the equity of the investee including changes in the fair values of its underlying investments

The following table summarizes the changes in pension plan assets classified in Level 3 for the years ended December 31, 2015 and December 31, 2014 Actual return on plan assets in this table may include changes in fair value that are attributable to both observable and unobservable inputs

(In millions)	Fixed Maturities & Equity Securities	Real Estate & Mortgage Loans	Securities Partnerships	Hedge Funds	Guaranteed Deposit Account Contract	Total
Balance at January 1, 2015	$ 121	$ 441	$ 357	$ 283	$ 44	$ 1,246
Actual return on plan assets:						
Assets still held at the reporting date	(3)	58	50	4	1	110
Assets sold during the period	–	–	–	–	–	–
TOTAL ACTUAL RETURN ON PLAN ASSETS	(3)	58	50	4	1	110
Purchases, sales, settlements, net	14	(6)	(1)	(31)	13	(11)
Transfers into/out of Level 3	7	–	–	–	–	7
Balance at December 31, 2015	$ 139	$ 493	$ 406	$ 256	$ 58	$ 1,352

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(In millions)	Fixed Maturities & Equity Securities	Real Estate & Mortgage Loans	Securities Partnerships	Hedge Funds	Guaranteed Deposit Account Contract	Total
Balance at January 1, 2014	$ 74	$ 339	$ 304	$ 360	$ 44	$ 1,121
Actual return on plan assets:						
Assets still held at the reporting date	1	41	40	17	2	101
Assets sold during the period	-	-	-	-	-	-
TOTAL ACTUAL RETURN ON PLAN ASSETS	**1**	**41**	**40**	**17**	**2**	**101**
Purchases, sales, settlements, net	44	61	13	(94)	(2)	22
Transfers into/out of Level 3	2	-	-	-	-	2
Balance at December 31, 2014	$ 121	$ 441	$ 357	$ 283	$ 44	$ 1,246

Other postretirement benefits. The Company's pre-tax expense for these plans was $8 million for 2015, $9 million for 2014 and $(11) million for 2013. The 2013 benefit was primarily due to a pre-tax curtailment gain of $19 million resulting from the freeze of the postretirement medical plan. Changes in the estimated rate of future increases in the per capital cost of health care benefits would have no material effect on postretirement benefit costs or obligations.

Assumptions for pension and other postretirement benefit plans. Management determined the present value of the projected benefit obligation and the accumulated other postretirement benefit obligation and related benefit costs based on the following weighted average assumptions as of and for the years ended December 31:

	2015	2014
Discount rate:		
Pension benefit obligation	4.17%	3.75%
Other postretirement benefit obligation	3.89%	3.50%
Pension benefit cost	3.75%	4.50%
Other postretirement benefit cost	3.50%	4.00%
Expected long-term return on plan assets:		
Pension benefit cost	7.25%	7.25%
Other postretirement benefit cost	5.00%	5.00%

The Society of Actuaries mortality table and projection scale published in the fourth quarter of 2014 was adopted for the Company's defined benefit pension and other postretirement plans as of December 31, 2014. We used the updated table because the Company's mortality experience over the past several years closely matched the updated mortality table based on a study conducted in 2014. In the fourth quarter of 2015, the Society of Actuaries published an updated improvement scale based on two additional years of experience. The Company adopted the updated improvement scale as of December 31, 2015 after reviewing its experience compared with the updated improvement scale.

In measuring the benefit obligation, the Company sets discount rates by applying actual annualized yields at various durations from a discount rate curve to the expected cash flows of the pension and other postretirement benefits liabilities. The discount rate curve is constructed using an array of bonds in various industries throughout the domestic market for high quality bonds, but only selects those for the curve that have an above average return at each duration. The bond portfolio used to construct the curve is monitored to ensure that only high quality issues are included. The Company believes that this curve is representative of the yields that the Company is able to achieve in its plan asset investment strategy. As part of its discount rate setting process, the Company reviewed alternative indices and determined that they were not materially different than the result produced by the curve used.

Expected long-term rates of return on plan assets were developed considering actual long-term historical returns, expected long-term market conditions, plan asset mix and management's investment strategy that continues a significant allocation to domestic and foreign equity securities as well as real estate, securities partnerships and hedge funds. Expected long-term market conditions take into consideration certain key macroeconomic trends including expected domestic and foreign GDP growth, employment levels and inflation.

To measure pension costs, the Company uses a market-related asset valuation for domestic pension plan assets invested in non-fixed income investments. The market-related value of these pension assets recognizes the difference between actual and expected long-term returns in the portfolio over 5 years, a method that reduces the short-term impact of market fluctuations on pension cost. At December 31, 2015, the market-related asset value was approximately $3.9 billion compared with a market value of approximately $4.0 billion.

Benefit payments. The following benefit payments are expected to be paid in:

(In millions)	Pension Benefits	Other Postretirement Benefits
2016	$ 363	$ 29
2017	$ 322	$ 28
2018	$ 323	$ 27
2019	$ 329	$ 26
2020	$ 322	$ 25
2021-2025	$ 1,604	$ 104

B. 401(k) Plans

The Company sponsors a 401(k) plan in which the Company matches a portion of employees' pre-tax contributions. Participants in the plan may invest in various funds that invest in the Company's common stock, several diversified stock funds, a bond fund or a fixed-income fund. In conjunction with the action to freeze the domestic defined benefit pension plans, effective January 1, 2010, the Company increased its matching contributions to 401(k) plan participants.

The Company may elect to increase its matching contributions if the Company's annual performance meets certain targets. The Company's expense for these plans was $106 million for 2015, $98 million for 2014 and $91 million for 2013.

NOTE 10 Fair Value Measurements

The Company carries certain financial instruments at fair value in the financial statements including fixed maturities, equity securities, short-term investments and derivatives. Other financial instruments are measured at fair value under certain conditions, such as when impaired.

Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date. A liability's fair value is defined as the amount that would be paid to transfer the liability to a market participant, not the amount that would be paid to settle the liability with the creditor.

The Company's financial assets and liabilities carried at fair value have been classified based upon a hierarchy defined by GAAP. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level of input that is significant to its measurement. For example, a financial asset or liability carried at fair value would be classified in Level 3 if unobservable inputs were significant to the instrument's fair value, even though the measurement may be derived using inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The Company estimates fair values using prices from third parties or internal pricing methods. Fair value estimates received from third-party pricing services are based on reported trade activity and quoted market prices when available, and other market information that a market participant may use to estimate fair value. The internal pricing methods are performed by the Company's investment professionals and generally involve using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality, as well as other qualitative factors. In instances where there is little or no market activity for the same or similar instruments, fair value is estimated using methods, models and assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price. These valuation techniques involve some level of estimation and judgment that becomes significant with increasingly complex instruments or pricing models.

The Company is responsible for determining fair value, as well as the appropriate level within the fair value hierarchy, based on the significance of unobservable inputs. The Company reviews methodologies, processes and controls of third-party pricing services and compares prices on a test basis to those obtained from other external pricing sources or internal estimates. The Company performs ongoing analyses of both prices received from third-party pricing services and those developed internally to determine that they represent appropriate estimates of fair value. The controls executed by the Company include evaluating changes in prices and monitoring for potentially stale valuations. The Company also performs sample testing of sales values to confirm the accuracy of prior fair value estimates. The minimal exceptions identified during these processes indicate that adjustments to prices are infrequent and do not significantly impact valuations. Annually, we conduct an on-site visit of the most significant pricing service to review their processes, methodologies and controls. This on-site review includes a walk-through of inputs of a sample of securities held across various asset types to validate the documented pricing process.

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Financial Assets and Financial Liabilities Carried at Fair Value

The following tables provide information as of December 31, 2015 and 2014 about the Company's financial assets and liabilities carried at fair value. Separate account assets that are also recorded at fair value on the Company's Consolidated Balance Sheets are reported separately under the heading "Separate account assets" as gains and losses related to these assets generally accrue directly to policyholders.

December 31, 2015 *(In millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets at fair value:				
Fixed maturities:				
Federal government and agency	$ 251	$ 528	$ –	$ 779
State and local government	–	1,641	–	1,641
Foreign government	–	2,010	4	2,014
Corporate	–	14,122	326	14,448
Mortgage-backed	–	48	1	49
Other asset-backed	–	198	326	524
Total fixed maturities[1]	251	18,547	657	19,455
Equity securities	32	89	69	190
Subtotal	283	18,636	726	19,645
Short-term investments	–	381	–	381
GMIB assets[2]	–	–	907	907
Other derivative assets[3]	–	16	–	16
TOTAL FINANCIAL ASSETS AT FAIR VALUE, EXCLUDING SEPARATE ACCOUNTS	$ 283	$ 19,033	$ 1,633	$ 20,949
GMIB liabilities	$ –	$ –	$ 885	$ 885
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	$ –	$ –	$ 885	$ 885

(1) Fixed maturities included $453 million of net cumulative appreciation required to adjust future policy benefits for the run-off settlement annuity business including $30 million of appreciation for securities classified in Level 3. See Note 11 for additional information.

(2) The GMIB assets represented retrocessional contracts in place from three external reinsurers that cover the exposures on these contracts.

(3) Other derivative assets included $15 million of interest rate and foreign currency swaps qualifying as cash flow hedges and $1 million of interest rate swaps qualifying as fair value hedges. See Note 12 for additional information.

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December 31, 2014 *(In millions)*	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets at fair value:				
Fixed maturities:				
Federal government and agency	$ 290	$ 664	$ -	$ 954
State and local government	-	1,856	-	1,856
Foreign government	-	1,936	4	1,940
Corporate	-	13,105	393	13,498
Mortgage-backed	-	84	1	85
Other asset-backed	-	234	416	650
Total fixed maturities[(1)]	290	17,879	814	18,983
Equity securities	61	85	43	189
Subtotal	351	17,964	857	19,172
Short-term investments	-	163	-	163
GMIB assets[(2)]	-	-	953	953
Other derivative assets[(3)]	-	6	-	6
TOTAL FINANCIAL ASSETS AT FAIR VALUE, EXCLUDING SEPARATE ACCOUNTS	$ 351	$ 18,133	$ 1,810	$ 20,294
GMIB liabilities	$ -	$ -	$ 929	$ 929
Other derivative liabilities	-	1	-	1
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	$ -	$ 1	$ 929	$ 930

(1) *Fixed maturities included $736 million of net cumulative appreciation required to adjust future policy benefits for the run-off settlement annuity business including $65 million of appreciation for securities classified in Level 3 See Note 11 for additional information.*

(2) *The GMIB assets represented retrocessional contracts in place from three external reinsurers that cover the exposures on these contracts*

(3) *Other derivative assets included $5 million of interest rate and foreign currency swaps qualifying as cash flow hedges and $1 million of interest rate swaps qualifying as fair value hedges See Note 12 for additional information*

Level 1 Financial Assets

Inputs for instruments classified in Level 1 include unadjusted quoted prices for identical assets in active markets accessible at the measurement date Active markets provide pricing data for trades occurring at least weekly and include exchanges and dealer markets

Assets in Level 1 include actively-traded U S government bonds and exchange-listed equity securities Given the narrow definition of Level 1 and the Company's investment asset strategy to maximize investment returns, a relatively small portion of the Company's investment assets are classified in this category

Level 2 Financial Assets and Financial Liabilities

Inputs for instruments classified in Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are market observable or can be corroborated by market data for the term of the instrument Such other inputs include market interest rates and volatilities, spreads and yield curves An instrument is classified in Level 2 if the Company determines that unobservable inputs are insignificant

Fixed maturities and equity securities. Approximately 95% of the Company's investments in fixed maturities and equity securities are classified in Level 2 including most public and private corporate debt and equity securities, federal agency and municipal bonds, non-government mortgage-backed securities and preferred stocks Because many fixed maturities do not trade daily, third-party pricing services and internal methods often use recent trades of securities with similar features and characteristics When recent trades are not available, pricing models are used to determine these prices These models calculate fair values by discounting future cash flows at estimated market interest rates Such market rates are derived by calculating the appropriate spreads over comparable U S Treasury securities, based on the credit quality, industry and structure of the asset. Typical inputs and assumptions to pricing models include, but are not limited to, a combination of benchmark yields, reported trades, issuer spreads, liquidity, benchmark securities, bids, offers, reference data, and industry and economic events. For mortgage-backed securities, inputs and assumptions may also include characteristics of the issuer, collateral attributes, prepayment speeds and credit rating

Nearly all of these instruments are valued using recent trades or pricing models. Less than 1% of the fair value of investments classified in Level 2 represents foreign bonds that are valued using a single unadjusted market-observable input derived by averaging multiple broker-dealer quotes, consistent with local market practice

Short-term investments are carried at fair value which approximates cost On a regular basis, the Company compares market prices for these securities to recorded amounts to validate that current carrying amounts approximate exit prices The short-term nature of the

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investments and corroboration of the reported amounts over the holding period support their classification in Level 2

Other derivatives classified in Level 2 represent over-the-counter instruments such as interest rate and foreign currency swap contracts Fair values for these instruments are determined using market observable inputs including forward currency and interest rate curves and widely published market observable indices Credit risk related to the counterparty and the Company is considered when estimating the fair values of these derivatives However, the Company is largely protected by collateral arrangements with counterparties and determined that no adjustment for credit risk was required as of December 31, 2015 or 2014. Level 2 also includes exchange-traded interest rate swap contracts Credit risk related to the clearinghouse counterparty and the Company is considered minimal when estimating the fair values of these derivatives because of upfront margin deposits and daily settlement requirements The nature and use of these other derivatives are described in Note 12.

Level 3 Financial Assets and Financial Liabilities

Certain inputs for instruments classified in Level 3 are unobservable (supported by little or no market activity) and significant to their resulting fair value measurement Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Company classifies certain newly issued, privately-placed, complex or illiquid securities, as well as assets and liabilities relating to GMIB, in Level 3 Approximately 4% of fixed maturities and equity securities are priced using significant unobservable inputs and classified in this category

Fair values of other asset and mortgage-backed securities, corporate and government fixed maturities are primarily determined using pricing models that incorporate the specific characteristics of each asset and related assumptions including the investment type and structure, credit quality, industry and maturity date in comparison to current market indices, spreads and liquidity of assets with similar characteristics For other asset and mortgage-backed securities, inputs and assumptions for pricing may also include collateral attributes and prepayment speeds Recent trades in the subject security or similar securities are assessed when available, and the Company may also review published research in its evaluation, as well as the issuer's financial statements

Quantitative Information about Unobservable Inputs

The following tables summarize the fair value and significant unobservable inputs used in pricing the following securities that were developed directly by the Company as of December 31, 2015 and 2014 The range and weighted average basis point amounts ("bps") for fixed maturity spreads (adjustment to discount rates) and price-to-earnings multiples for equity investments reflect the Company's best estimates of the unobservable adjustments a market participant would make to calculate these fair values.

Other asset and mortgage-backed securities. The significant unobservable inputs used to value the following other asset and mortgage-backed securities are liquidity and weighting of credit spreads When there is limited trading activity for the security, an adjustment for liquidity is made as of the measurement date that considers current market conditions, issuer circumstances and complexity of the security structure An adjustment to weight credit spreads is needed to value a more complex bond structure with multiple underlying collateral and no standard market valuation technique The weighting of credit spreads is primarily based on the underlying collateral's characteristics and their proportional cash flows supporting the bond obligations The resulting wide range of unobservable adjustments in the table below is due to the varying liquidity and quality of the underlying collateral, ranging from high credit quality to below investment grade.

Corporate and government fixed maturities. The significant unobservable input used to value the following corporate and government fixed maturities is an adjustment for liquidity When there is limited trading activity for the security, an adjustment is needed to reflect current market conditions and issuer circumstances.

Equity securities. The significant unobservable input used to value the following equity securities is a multiple of earnings before interest, taxes, depreciation and amortization ("EBITDA") These securities are comprised of private equity investments with limited trading activity and therefore a ratio of EBITDA is used to estimate value based on company circumstances and relative risk characteristics

As of December 31, 2015 *(Fair value in millions)*		**Fair Value**	**Unobservable Input**	**Unobservable Adjustment Range (Weighted Average)**
Fixed maturities:				
Other asset and mortgage-backed securities	$	327	Liquidity	60 - 440 (200)
			Weighting of credit spreads	170 - 630 (220)
Corporate and government fixed maturities		285	Liquidity	70 - 930 (280)
Total fixed maturities		612		
Equity securities		69	Price-to-earnings multiples	4.2 - 11.6 (8.3)
Subtotal		681		
Securities not priced by the Company[1]		45		
Total Level 3 securities	$	726		

(1) *The fair values for these securities use single, unadjusted non-binding broker quotes not developed directly by the Company.*

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As of December 31, 2014 *(Fair value in millions)*		**Fair Value**	**Unobservable Input**	**Unobservable Adjustment Range (Weighted Average)**
Fixed maturities:				
Other asset and mortgage-backed securities	$	417	Liquidity	60 - 370 (140) bps
			Weighting of credit spreads	160 - 2,560 (290) bps
Corporate and government fixed maturities		344	Liquidity	80 - 930 (262) bps
Total fixed maturities		761		
Equity securities		43	Price-to-earnings multiples	4.2 - 9.8 (8.1)
Subtotal		804		
Securities not priced by the Company[1]		53		
Total Level 3 securities	$	857		

(1) The fair values for these securities use single, unadjusted non-binding broker quotes not developed directly by the Company.

Significant increases in fixed maturity spreads would result in a lower fair value measurement while decreases in these inputs would result in a higher fair value measurement Significant decreases in equity price-to-earnings multiples would result in a lower fair value measurement while increases in these inputs would result in a higher fair value measurement. Generally, the unobservable inputs are not interrelated and a change in the assumption used for one unobservable input is not accompanied by a change in the other unobservable input

GMIB contracts. As discussed in Note 7, the Company effectively exited the GMIB business in 2013 Although these GMIB assets and liabilities must continue to be reported as derivatives at fair value, the only assumption that is expected to impact future shareholders' net income is the risk of non-performance This assumption reflects a market participant's view of (a) the risk of the Company not fulfilling its GMIB obligations (GMIB liabilities) and (b) the credit risk that the reinsurers do not pay their obligations (GMIB assets). As of December 31, 2015, there were three reinsurers for GMIB, with collateral securing 70% of the balance

The Company reports GMIB liabilities and assets as derivatives at fair value because cash flows of these liabilities and assets are affected by equity markets and interest rates, but are without significant life insurance risk and are settled in lump sum payments Under the terms of these written and purchased contracts, the Company periodically receives and pays fees based on either contractholders' account values or deposits increased at a contractual rate The Company will also pay and receive cash depending on account values and interest rates when contractholders elect to begin to receive minimum income payments The Company estimates the fair value of the assets and liabilities for GMIB contracts by calculating the results for many scenarios run through a model utilizing various assumptions that include non-performance risk, among other things

The non-performance risk adjustment is incorporated by adding an additional spread to the discount rate in the calculation of both (a) the GMIB liabilities to reflect a market participant's view of the risk of the Company not fulfilling its GMIB obligations, and (b) the GMIB assets to reflect a market participant's view of the credit risk of the reinsurers, after considering collateral

Other assumptions that affect GMIB assets and liabilities include capital market assumptions (including market returns, interest rates and market volatilities of the underlying equity and bond mutual fund investments) and future annuitant behavior (including mortality, lapse, and annuity election rates) As certain assumptions used to estimate fair values for these contracts are largely unobservable (primarily related to future annuitant behavior), the Company classifies GMIB assets and liabilities in Level 3

The Company regularly evaluates each of the assumptions used in establishing these assets and liabilities Significant decreases in assumed lapse rates or spreads used to calculate non-performance risk, or increases in assumed annuity election rates, would result in higher fair value measurements A change in one of these assumptions is not necessarily accompanied by a change in another assumption

GMIB liabilities are reported in the Company's Consolidated Balance Sheets in accounts payable, accrued expenses and other liabilities GMIB assets associated with these contracts represent net receivables in connection with reinsurance that the Company has purchased from three external reinsurers and are reported in the Company's Consolidated Balance Sheets in other assets, including other intangibles

Changes in Level 3 Financial Assets and Financial Liabilities Carried at Fair Value

The following tables summarize the changes in financial assets and financial liabilities classified in Level 3 for the years ended December 31, 2015 and 2014 Separate account asset changes are reported separately under the heading "Separate account assets" as the changes in fair values of these assets accrue directly to the policyholders Gains and losses reported in these tables may include net changes in fair value that are attributable to both observable and unobservable inputs

(In millions)	Fixed Maturities & Equity Securities	GMIB Assets	GMIB Liabilities	GMIB Net
Balance at January 1, 2015	$ 857	$ 953	$ (929)	$ 24
Gains (losses) included in shareholders' net income:				
GMIB fair value gain/(loss)	-	(5)	2	(3)
Other	24	1	-	1
Total gains (losses) included in shareholders' net income	24	(4)	2	(2)
Losses included in other comprehensive income	(11)	-	-	-
Losses required to adjust future policy benefits for settlement annuities(1)	(1)	-	-	-
Purchases, sales, settlements:				
Purchases	153	-	-	-
Sales	(230)	-	-	-
Settlements	(21)	(42)	42	-
Total purchases, sales and settlements	(98)	(42)	42	-
Transfers into/(out of) Level 3:				
Transfers into Level 3	49	-	-	-
Transfers out of Level 3	(94)	-	-	-
Total transfers into/(out of) Level 3	(45)	-	-	-
Balance at December 31, 2015	$ 726	$ 907	$ (885)	$ 22
Total gains (losses) included in shareholders' net income attributable to instruments held at the reporting date	$ (6)	$ (4)	$ 2	$ (2)

(1) *Amounts do not accrue to shareholders.*

(In millions)	Fixed Maturities & Equity Securities	GMIB Assets	GMIB Liabilities	GMIB Net
Balance at January 1, 2014	$ 1,190	$ 751	$ (741)	$ 10
Gains (losses) included in shareholders' net income:				
GMIB fair value gain/(loss)	-	251	(251)	-
Other	15	(1)	15	14
Total gains (losses) included in shareholders' net income	15	250	(236)	14
Gains included in other comprehensive income	14	-	-	-
Gains required to adjust future policy benefits for settlement annuities(1)	55	-	-	-
Purchases, sales, settlements:				
Purchases	101	-	-	-
Sales	(202)	-	-	-
Settlements	(156)	(48)	48	-
Total purchases, sales and settlements	(257)	(48)	48	-
Transfers into/(out of) Level 3:				
Transfers into Level 3	165	-	-	-
Transfers out of Level 3	(325)	-	-	-
Total transfers into/(out of) Level 3	(160)	-	-	-
Balance at December 31, 2014	$ 857	$ 953	$ (929)	$ 24
Total gains (losses) included in shareholders' net income attributable to instruments held at the reporting date	$ 2	$ 250	$ (236)	$ 14

(1) *Amounts do not accrue to shareholders*

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As noted in the tables above, total gains and losses included in shareholders' net income are reflected in the following captions in the Consolidated Statements of Income:

- Realized investment gains (losses) and net investment income for amounts related to fixed maturities and equity securities and realized investment gains (losses) for the impact of changes in non-performance risk related to GMIB assets and liabilities, similar to hedge ineffectiveness, and
- Other operating expenses for amounts related to GMIB assets and liabilities (GMIB fair value gain/loss), except for the impact of changes in non-performance risk

In the tables above, gains and losses included in other comprehensive income are reflected in net unrealized appreciation (depreciation) on securities in the Consolidated Statements of Comprehensive Income

Reclassifications impacting Level 3 financial instruments are reported as transfers into or out of the Level 3 category as of the beginning of the quarter in which the transfer occurs Therefore gains and losses in income only reflect activity for the period the instrument was classified in Level 3

Transfers into or out of the Level 3 category occur when unobservable inputs, such as the Company's best estimate of what a market participant would use to determine a current transaction price, become more or less significant to the fair value measurement For the years ended December 31, 2015 and 2014, transfers between Level 2 and Level 3 primarily reflect the change in significance of the unobservable inputs used to value certain public and private corporate bonds, principally related to liquidity of the securities and credit risk of the issuers

Separate account assets

Fair values and changes in the fair values of separate account assets generally accrue directly to the policyholders and are excluded from the Company's revenues and expenses At December 31, separate account assets were as follows:

2015 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Guaranteed separate accounts (See Note 23)	$ 235	$ 274	$ –	$ 509
Non-guaranteed separate accounts[(1)]	1,401	4,698	1,225	7,324
TOTAL SEPARATE ACCOUNT ASSETS	$ 1,636	$ 4,972	$ 1,225	$ 7,833

(1) As of December 31, 2015, non-guaranteed separate accounts included $3 6 billion in assets supporting the Company's pension plans, including $1 2 billion classified in Level 3

2014 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Guaranteed separate accounts (See Note 23)	$ 242	$ 288	$ –	$ 530
Non-guaranteed separate accounts[(1)]	1,609	5,031	1,158	7,798
TOTAL SEPARATE ACCOUNT ASSETS	$ 1,851	$ 5,319	$ 1,158	$ 8,328

(1) As of December 31, 2014, non-guaranteed separate accounts included $3 8 billion in assets supporting the Company's pension plans, including $1 1 billion classified in Level 3

Separate account assets in Level 1 primarily include exchange-listed equity securities Level 2 assets primarily include:

- corporate and structured bonds valued using recent trades of similar securities or pricing models that discount future cash flows at estimated market interest rates as described above; and
- actively-traded institutional and retail mutual fund investments and separate accounts priced using the daily net asset value that is the exit price

Separate account assets classified in Level 3 include investments primarily in securities partnerships, real estate and hedge funds generally valued based on the separate account's ownership share of the equity of the investee including changes in the fair values of its underlying investments

The following table summarizes the changes in separate account assets reported in Level 3 for the years ended December 31, 2015 and 2014

(In millions)	2015	2014
Balance at January 1	$ 1,158	$ 1,035
Policyholder gains [1]	95	85
Purchases, issuances, settlements:		
Purchases	198	266
Sales	–	(2)
Settlements	(230)	(226)
Total purchases, sales and settlements	(32)	38
Transfers into/(out of) Level 3:		
Transfers into Level 3	16	20
Transfers out of Level 3	(12)	(20)
Total transfers into/(out of) Level 3:	4	
Balance at December 31	$ 1,225	$ 1,158

(1) *Included in this amount were gains of $95 million attributable to instruments still held at December 31, 2015 and gains of $85 million attributable to instruments still held at December 31, 2014*

Assets and Liabilities Measured at Fair Value under Certain Conditions

Some financial assets and liabilities are not carried at fair value each reporting period, but may be measured using fair value only under certain conditions, such as investments in real estate entities and commercial mortgage loans when they become impaired. Impaired real estate entities and commercial mortgage loans representing less than 1% of total investments were written down to their fair values, resulting in realized investment losses of $16 million, after-tax in 2015 and $10 million, after-tax in 2014.

Fair Value Disclosures for Financial Instruments Not Carried at Fair Value

The following table includes the Company's financial instruments not recorded at fair value that are subject to fair value disclosure requirements at December 31, 2015 and 2014. Financial instruments that are carried in the Company's Consolidated Financial Statements at amounts that approximate fair value are excluded from the following table.

(In millions)	Classification in Fair Value Hierarchy	December 31, 2015 Fair Value	December 31, 2015 Carrying Value	December 31, 2014 Fair Value	December 31, 2014 Carrying Value
Commercial mortgage loans	Level 3	$ 1,911	$ 1,864	$ 2,168	$ 2,081
Contractholder deposit funds, excluding universal life products	Level 3	$ 1,151	$ 1,148	$ 1,136	$ 1,124
Long-term debt, including current maturities, excluding capital leases	Level 2	$ 5,515	$ 5,020	$ 5,740	$ 4,967

As explained in Note 2(B), in the fourth quarter of 2015, the Company retrospectively adopted ASU 2015-03 that requires debt issuance costs to be netted against the carrying value of the debt. The carrying value presented above for 2014 has been retrospectively adjusted to conform to the new guidance. The fair values for all financial instruments presented in the table above have been estimated using market information when available. The following valuation methodologies and inputs are used by the Company to determine fair value

Commercial mortgage loans. The Company estimates the fair value of commercial mortgage loans generally by discounting the contractual cash flows at estimated market interest rates that reflect the Company's assessment of the credit quality of the loans. Market interest rates are derived by calculating the appropriate spread over comparable U.S. Treasury rates based on the property type, quality rating and average life of the loan. The quality ratings reflect the relative risk of the loan considering debt service coverage, the loan-to-value ratio and other factors. Fair values of impaired mortgage loans are based on the estimated fair value of the underlying collateral generally determined using an internal discounted cash flow model. The fair value measurements were classified in Level 3 because the cash flow models incorporate significant unobservable inputs

Contractholder deposit funds, excluding universal life products. Generally, these funds do not have stated maturities. Approximately 65% of these balances can be withdrawn by the customer at any time without prior notice or penalty. The fair value for these contracts is the amount estimated to be payable to the customer as of the reporting date, which is generally the carrying value. Most of the remaining contractholder deposit funds are reinsured by the buyers of the individual life and annuity and retirement benefits businesses. The fair value for these contracts is determined using the fair value of these buyers' assets supporting these reinsured contracts. The Company had reinsurance recoverables equal to the carrying value of these reinsured contracts. These instruments were classified in Level 3 because certain

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inputs are unobservable (supported by little or no market activity) and significant to their resulting fair value measurement.

Long-term debt, including current maturities, excluding capital leases. The fair value of long-term debt is based on quoted market prices for recent trades. When quoted market prices are not available, fair value is estimated using a discounted cash flow analysis and the Company's estimated current borrowing rate for debt of similar terms and remaining maturities. These measurements were classified in Level 2 because the fair values are based on quoted market prices or other inputs that are market observable or can be corroborated by market data.

Fair values of off-balance-sheet financial instruments were not material as of December 31, 2015 and 2014.

NOTE 11 Investments

A. Fixed Maturities and Equity Securities

The amortized cost and fair value by contractual maturity periods for fixed maturities were as follows at December 31, 2015:

(In millions)	Amortized Cost	Fair Value
Due in one year or less	$ 1,397	$ 1,403
Due after one year through five years	6,251	6,504
Due after five years through ten years	6,905	7,058
Due after ten years	3,363	3,917
Mortgage and other asset-backed securities	540	573
TOTAL	$ 18,456	$ 19,455

Actual maturities of these securities could differ from their contractual maturities used in the table above. This could occur because issuers may have the right to call or prepay obligations, with or without penalties, or because in certain cases the Company may have the option to unilaterally extend the contractual maturity date.

Gross unrealized appreciation (depreciation) on fixed maturities by type of issuer is shown below:

	December 31, 2015			
(In millions)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
Federal government and agency	$ 528	$ 251	$ —	$ 779
State and local government	1,496	147	(2)	1,641
Foreign government	1,870	147	(3)	2,014
Corporate	14,022	632	(206)	14,448
Mortgage-backed	48	2	(1)	49
Other asset-backed	492	39	(7)	524
TOTAL	$ 18,456	$ 1,218	$ (219)	$ 19,455
(In millions)	December 31, 2014			
Federal government and agency	$ 608	$ 346	$ —	$ 954
State and local government	1,682	176	(2)	1,856
Foreign government	1,824	121	(5)	1,940
Corporate	12,517	1,014	(33)	13,498
Mortgage-backed	83	3	(1)	85
Other asset-backed	564	87	(1)	650
TOTAL	$ 17,278	$ 1,747	$ (42)	$ 18,983

The above table includes investments with a fair value of $2.7 billion at December 31, 2015 and $3.1 billion at December 31, 2014 supporting liabilities of the Company's run-off settlement annuity business. These investments had gross unrealized appreciation of $521 million and gross unrealized depreciation of $38 million at December 31, 2015, compared with gross unrealized appreciation of $758 million and gross unrealized depreciation of $2 million at December 31, 2014. Such unrealized amounts are reported in future policy benefit liabilities rather than accumulated other comprehensive income.

As of December 31, 2015, the Company had commitments to purchase $15 million of fixed maturities, all of which bear interest at a fixed market rate.

Review of declines in fair value. Management reviews fixed maturities with a decline in fair value from cost for impairment based on criteria that include:

- length of time and severity of decline;
- financial health and specific near term prospects of the issuer;
- changes in the regulatory, economic or general market environment of the issuer's industry or geographic region; and
- the Company's intent to sell or the likelihood of a required sale prior to recovery

The table below summarizes fixed maturities with a decline in fair value from amortized cost as of December 31, 2015 but with no indicative impairment loss based on the criteria listed above These fixed maturities are primarily corporate securities with a decline in fair value that reflects an increase in market yields since purchase.

	December 31, 2015			
(Dollars in millions)	Fair Value	Amortized Cost	Unrealized Depreciation	Number of Issues
Fixed maturities:				
One year or less:				
Investment grade	$ 4,411	$ 4,558	$ (147)	721
Below investment grade	$ 534	$ 557	$ (23)	228
More than one year:				
Investment grade	$ 180	$ 204	$ (24)	56
Below investment grade	$ 124	$ 149	$ (25)	29

There were no available for sale equity securities with a significant unrealized loss reflected in accumulated other comprehensive income at December 31, 2015 Equity securities include hybrid investments consisting of preferred stock with call features that are carried at fair value with changes in fair value reported in other realized investment gains (losses) and dividends reported in net investment income As of December 31, 2015, fair values of those securities were $52 million and amortized cost was $66 million As of December 31, 2014, fair values of these securities were $57 million and amortized cost was $69 million

B. Commercial Mortgage Loans

Mortgage loans held by the Company are made exclusively to commercial borrowers and are diversified by property type, location and borrower Loans are generally issued at a fixed rate of interest and are secured by high quality, primarily completed and substantially leased operating properties.

At December 31, commercial mortgage loans were distributed among the following property types and geographic regions:

(In millions)	2015	2014
Property type		
Office buildings	$ 697	$ 700
Apartment buildings	366	264
Industrial	322	466
Hotels	259	351
Retail facilities	213	272
Other	7	28
TOTAL	$ 1,864	$ 2,081
Geographic region		
Pacific	$ 738	$ 637
South Atlantic	366	572
New England	276	277
Central	205	214
Middle Atlantic	227	287
Mountain	52	94
TOTAL	$ 1,864	$ 2,081

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At December 31, 2015, scheduled commercial mortgage loan maturities were as follows (in millions): $205 in 2016, $143 in 2017, $177 in 2018, $275 in 2019 and $1,064 thereafter. Actual maturities could differ from contractual maturities for several reasons: borrowers may have the right to prepay obligations with or without prepayment penalties; the maturity date may be extended; and loans may be refinanced.

As of December 31, 2015, the Company had commitments to extend credit under commercial mortgage loan agreements of $5 million.

Credit quality. The Company regularly evaluates and monitors credit risk, beginning with the initial underwriting of a mortgage loan and continuing throughout the investment holding period. Mortgage origination professionals employ an internal credit quality rating system designed to evaluate the relative risk of the transaction at origination that is then updated each year as part of the annual portfolio loan review. The Company evaluates and monitors credit quality on an ongoing basis, classifying each loan as a loan in good standing, potential problem loan or problem loan.

Quality ratings are based on our evaluation of a number of key inputs related to the loan, including real estate market-related factors such as rental rates and vacancies, and property-specific inputs such as growth rate assumptions and lease rollover statistics. However, the two most significant contributors to the credit quality rating are the debt service coverage and loan-to-value ratios. The debt service coverage ratio measures the amount of property cash flow available to meet annual interest and principal payments on debt, with a ratio below 1.0 indicating that there is not enough cash flow to cover the required loan payments. The loan-to-value ratio, commonly expressed as a percentage, compares the amount of the loan to the fair value of the underlying property collateralizing the loan.

The following tables summarize the credit risk profile of the Company's commercial mortgage loan portfolio based on loan-to-value and debt service coverage ratios, as of December 31, 2015 and 2014:

(In millions)	Debt Service Coverage Ratio December 31, 2015					
Loan-to-Value Ratios	**1.30x or Greater**	**1.20x to 1.29x**	**1.10x to 1.19x**	**1.00x to 1.09x**	**Less than 1.00x**	**Total**
Below 50%	$ 261	$ 2	$ –	$ 67	$ –	$ 330
50% to 59%	683	–	–	24	–	707
60% to 69%	590	14	–	19	–	623
70% to 79%	–	–	–	30	36	66
80% to 89%	40	–	–	–	–	40
90% to 100%	–	–	–	–	98	98
TOTAL	$ 1,574	$ 16	$ –	$ 140	$ 134	$ 1,864

	December 31, 2014					
Below 50%	$ 340	$ 17	$ –	$ 6	$ –	$ 363
50% to 59%	681	38	–	–	–	719
60% to 69%	394	–	15	–	60	469
70% to 79%	68	36	33	–	80	217
80% to 89%	6	41	–	–	58	105
90% to 100%	–	–	55	–	153	208
TOTAL	$ 1,489	$ 132	$ 103	$ 6	$ 351	$ 2,081

The Company's annual in-depth review of its commercial mortgage loan investments is the primary mechanism for identifying emerging risks in the portfolio. The most recent review was completed by the Company's investment professionals in the second quarter of 2015 and included an analysis of each underlying property's most recent annual financial statements, rent rolls, operating plans, budgets for 2015, a physical inspection of the property and other pertinent factors. Based on historical results, current leases, lease expirations and rental conditions in each market, the Company estimates the current year and future stabilized property income and fair value, and categorizes the investments as loans in good standing, potential problem loans or problem loans. Based on property valuations and cash flows estimated as part of this review, and considering updates for loans where material changes were subsequently identified, the portfolio's average loan-to-value ratio improved to 58% at December 31, 2015 from 63% at December 31, 2014. The portfolio's average debt service coverage ratio was estimated to be 1.78 at December 31, 2015, an improvement from 1.66 at December 31, 2014.

The Company will reevaluate a loan's credit quality between annual reviews if new property information is received or an event such as delinquency or a borrower's request for restructure causes management to believe that the Company's estimate of financial performance, fair value or the risk profile of the underlying property has been impacted.

Certain loans were modified during 2015 and 2014. However, these were not considered troubled debt restructures and the impact of such modifications was not material to the Company's results of operations, financial condition or liquidity.

Potential problem mortgage loans are considered current (no payment is more than 59 days past due), but exhibit certain characteristics that increase the likelihood of future default such as the deterioration of debt service coverage below 1 0, estimated loan-to-value ratios increasing to 100% or more, downgrade in quality rating and requests from the borrower for restructuring In addition, loans are considered potential problems if principal or interest payments are past due by more than 30 but less than 60 days Problem mortgage loans are either in default by 60 days or more or have been restructured as to terms, which could include concessions on interest rate, principal payment or maturity date The Company monitors each problem and potential problem mortgage loan on an ongoing basis and updates the loan categorization and quality rating when warranted.

Problem and potential problem mortgage loans, net of valuation reserves, totaled $139 million at December 31, 2015 and $208 million at December 31, 2014.

Impaired commercial mortgage loans. The carrying value of the Company's impaired commercial mortgage loans and related valuation reserves were as follows:

(In millions)	2015 Gross	2015 Reserves	2015 Net	2014 Gross	2014 Reserves	2014 Net
Impaired commercial mortgage loans with valuation reserves	$ 113	$ (15)	$ 98	$ 147	$ (12)	$ 135
Impaired commercial mortgage loans with no valuation reserves	-	-	-	31	-	31
TOTAL	$ 113	$ (15)	$ 98	$ 178	$ (12)	$ 166

The average recorded investment in impaired loans was $126 million during 2015 and $155 million during 2014 Because of the risk profile of the underlying investment, the Company recognizes interest income on problem mortgage loans only when payment is actually received Interest income that would have been reflected in net income if interest on non-accrual commercial mortgage loans had been accrued in accordance with the original terms was not significant for 2015 or 2014 Interest income on impaired commercial mortgage loans was not significant for 2015 or 2014 See Note 2 for further information on impaired commercial mortgage loans

Changes in valuation reserves for commercial mortgage loans were not material for the years ended December 31, 2015 and 2014

C. Other Long-Term Investments

As of December 31, other long-term investments consisted of the following:

(In millions)	2015	2014
Real estate investments	$ 814	$ 916
Securities partnerships	501	456
Other	89	116
TOTAL	$ 1,404	$ 1,488

Real estate investments and securities partnerships with a carrying value of $277 million at December 31, 2015 and $264 million at December 31, 2014 were non-income producing during the preceding twelve months

As of December 31, 2015, the Company had commitments to contribute:

- $184 million to limited liability entities that hold either real estate or loans to real estate entities that are diversified by property type and geographic region; and
- $487 million to entities that hold securities diversified by issuer and maturity date

The Company expects to disburse approximately 40% of the committed amounts in 2016

D. Short-Term Investments and Cash Equivalents

Short-term investments and cash equivalents included corporate securities of $925 million, federal government securities of $220 million and money market funds of $55 million as of December 31, 2015 The Company's short-term investments and cash equivalents as of December 31, 2014 included corporate securities of $509 million, federal government securities of $274 million and money market funds of $33 million

E. Concentration of Risk

As of December 31, 2015 and 2014, the Company did not have a concentration of investments in a single issuer or borrower exceeding 10% of shareholders' equity

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NOTE 12 Derivative Financial Instruments

The Company uses derivative financial instruments to manage the characteristics of investment assets (such as duration, yield, currency and liquidity) to meet the varying demands of the related insurance and contractholder liabilities (such as paying claims, investment returns and withdrawals) and to hedge interest rate risk of its long-term debt The Company has written and purchased GMIB reinsurance contracts in its run-off reinsurance business that are accounted for as freestanding derivatives For information on the Company's accounting policy for derivative financial instruments, see Note 2 Derivatives in the Company's separate accounts are excluded from the following discussion because associated gains and losses generally accrue directly to separate account policyholders

Collateral and termination features. The Company routinely monitors exposure to credit risk associated with derivatives and diversifies the portfolio among approved dealers of high credit quality to minimize this risk As of December 31, 2015, the Company had $16 million in cash on deposit representing the upfront margin required for the Company's centrally-cleared derivative instruments Certain of the Company's over-the-counter derivative instruments contain provisions requiring either the Company or the counterparty to post collateral or demand immediate payment depending on the amount of the net liability position and predefined financial strength or credit rating thresholds Collateral posting requirements vary by counterparty The net asset or liability positions of these derivatives were not material as of December 31, 2015 or 2014.

Investment Cash Flow Hedges.

The Company uses interest rate, foreign currency, and combination (interest rate and foreign currency) swap contracts to hedge the interest and foreign currency cash flows of its fixed maturity bonds to match associated insurance liabilities

Using cash flow hedge accounting, fair values are reported in other long-term investments or accounts payable, accrued expenses and other liabilities Changes in fair value are reported in accumulated other comprehensive income and amortized into net investment income or reported in other realized investment gains and losses as interest or principal payments are received

Under the terms of these various contracts, the Company periodically exchanges cash flows between variable and fixed interest rates or between two currencies for both principal and interest Foreign currency and combination swaps are primarily Euros, Australian dollars, Canadian dollars, Japanese yen and British pounds and have terms for periods of up to six years Net interest cash flows are reported in operating activities

The notional values of these cash flow swaps were $131 million as of December 31, 2015 and $145 million as of December 31, 2014

As of and for the years ended December 31, 2015 and 2014, the effects of these derivative instruments on the Consolidated Financial Statements were not material No amounts were excluded from the assessment of hedge effectiveness and no gains or losses were recognized due to hedge ineffectiveness

Interest Rate Fair Value Hedges.

The Company entered into centrally-cleared interest rate swap contracts to convert a portion of the interest rate exposure on its long-term debt from fixed to variable rates to more closely align interest expense with interest income received on its cash equivalent and short-term investment balances The variable rates are benchmarked to LIBOR

Using fair value hedge accounting, the fair values of the swap contracts are reported in other assets, including other intangibles or accounts payable, accrued expenses and other liabilities As the critical terms of these swaps match those of the long-term debt being hedged, the carrying value of the hedged debt is adjusted to reflect changes in its fair value driven by LIBOR The effects of those adjustments on other operating expenses are offset by the effects of corresponding changes in the swaps' fair value, including interest expense for the difference between the variable and fixed interest rates

Under the terms of these contracts, the Company provides upfront margin and settles fair value changes and net interest between variable and fixed interest rates daily with the clearinghouse Net interest cash flows are reported in operating activities.

As of December 31, 2015 and 2014, the notional values of these derivative instruments were $750 million

As of and for the years ended December 31, 2015 and 2014, the effects of these derivative instruments on the Consolidated Financial Statements were not material.

GMIB.

The Company's run-off reinsurance business has written reinsurance contracts with issuers of variable annuities that provide annuitants with certain guarantees of minimum income benefits resulting from the level of variable annuity account values compared with a contractually guaranteed amount ("GMIB liabilities") According to the contractual terms of the written reinsurance contracts, payment by the Company depends on the actual account value in the underlying mutual funds and the level of interest rates when the contractholders elect to receive minimum income payments The Company has purchased retrocessional coverage ("GMIB assets") for these contracts, including the agreement with Berkshire in 2013, effectively exiting this business See Note 7 for further details

The fair value effects of GMIB contracts on the financial statements are included in Note 10 and their volume of activity is included in Note 23 Cash flows on these contracts are reported in operating activities

GMDB and GMIB Hedge Programs.

The Company's dynamic hedge programs were discontinued at the time of the Berkshire reinsurance transaction in 2013 These hedge programs generated losses (included in other revenues) of $39 million in 2013

NOTE 13 Variable Interest Entities

When the Company becomes involved with a variable interest entity, as well as when the nature of the Company's involvement with the entity changes, the Company evaluates the following to determine if it is the primary beneficiary and must consolidate the entity:

- the structure and purpose of the entity;
- the risks and rewards created by and shared through the entity; and
- the Company's ability to direct its activities, receive its benefits and absorb its losses relative to the other parties involved with the entity including its sponsors, equity holders, guarantors, creditors and servicers

In the normal course of its investing activities, the Company makes passive investments in securities that are issued by variable interest entities for which the Company is not the sponsor or manager. These investments are predominantly asset-backed securities primarily collateralized by foreign bank obligations or mortgage-backed securities. The asset-backed securities largely represent fixed-rate debt securities issued by trusts that hold perpetual floating-rate subordinated notes issued by foreign banks The mortgage-backed securities represent senior interests in pools of commercial or residential mortgages created and held by special-purpose entities to provide investors with diversified exposure to these assets. The Company owns senior securities issued by several entities and receives fixed-rate cash flows from the underlying assets in the pools

To provide certain services to its Medicare Advantage customers, the Company contracts with independent physician associations ("IPAs") that are variable interest entities Physicians provide health care services to Medicare Advantage customers and the Company provides medical management and administrative services to the IPAs

The Company is not the primary beneficiary and does not consolidate these entities because either:

- it has no power to direct the activities that most significantly impact the entities' economic performance; or
- it has neither the right to receive benefits nor the obligation to absorb losses that could be significant to these variable interest entities

The Company has not provided, and does not intend to provide, financial support to these entities that it is not contractually required to provide The Company performs ongoing qualitative analyses of its involvement with these variable interest entities to determine if consolidation is required. The Company's maximum potential exposure to loss related to the investment entities is limited to the carrying amount of its investments of $600 million as of December 31, 2015, that are reported in fixed maturities The Company's combined ownership interests are insignificant relative to the total principal amount issued by these entities The Company's maximum exposure to loss related to the IPA arrangements is limited to their liability for incurred but not reported medical costs for the Company's Medicare Advantage customers These liabilities are not material and are generally secured by deposits maintained by the IPAs

NOTE 14 Investment Income and Gains and Losses

A. Net Investment Income

The components of pre-tax net investment income for the years ended December 31 were as follows:

(In millions)	2015	2014	2013
Fixed maturities	$ 879	$ 876	$ 823
Equity securities	3	3	6
Commercial mortgage loans	112	133	174
Policy loans	72	72	74
Other long-term investments	116	105	101
Short-term investments and cash	14	17	22
Total investment income	1,196	1,206	1,200
Less investment expenses	43	40	36
NET INVESTMENT INCOME	$ 1,153	$ 1,166	$ 1,164

Net investment income for separate accounts that is excluded from the Company's revenues was $262 million for 2015, $225 million for 2014, and $232 million for 2013

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B. Realized Investment Gains and Losses

The following realized gains and losses on investments for the years ended December 31 exclude amounts required to adjust future policy benefits for the run-off settlement annuity business.

(In millions)	2015	2014	2013
Fixed maturities	$ (82)	$ 14	$ 113
Equity securities	36	13	8
Commercial mortgage loans	(2)	(6)	(3)
Other investments, including derivatives	105	133	95
Net realized investment gains, before income taxes	57	154	213
Less income taxes	17	48	72
NET REALIZED INVESTMENT GAINS	$ 40	$ 106	$ 141

Included in these realized investment gains (losses) were pre-tax asset write-downs as follows:

(In millions)	2015	2014	2013
Other-than-temporary impairments on debt securities:			
Credit-related	$ (11)	$ –	$ –
Non credit-related[1]	(101)	(36)	(11)
Total other-than-temporary impairments on debt securities	(112)	(36)	(11)
Other credit-related[2]	(28)	(16)	(8)
Other non credit-related	–	–	(10)
TOTAL	$ (140)	$ (52)	$ (29)

(1) These write-downs pertain to other-than-temporary declines in fair values due to increases in market yields (widening of credit spreads), particularly within the energy sector, for certain below investment grade fixed maturities with an increased probability of sales activity prior to recovery of amortized cost basis.

(2) Other credit-related losses include other-than-temporary declines in the fair values of equity securities, increases in valuation reserves on commercial mortgage loans, and asset write-downs related to security partnerships and real estate investments.

Realized investment gains in other investments, including derivatives, represented primarily gains on sale of real estate properties held in joint ventures

Realized investment gains that are excluded from the Company's revenues for the years ended December 31 were as follows:

(In millions)	2015	2014	2013
Separate accounts	$ 117	$ 376	$ 417
Investment gains required to adjust future policy benefits for the run-off settlement annuity business	$ 114	$ 86	$ 9

Sales information for available-for-sale fixed maturities and equity securities for the years ended December 31 were as follows:

(In millions)	2015	2014	2013
Proceeds from sales	$ 1,555	$ 1,769	$ 1,775
Gross gains on sales	$ 85	$ 62	$ 102
Gross losses on sales	$ 13	$ 6	$ 4

NOTE 15 Debt

(In millions)		2015		2014[1]
Short-term:				
Commercial paper	$	100	$	100
Other, including capital leases		49		47
TOTAL SHORT-TERM DEBT	$	149	$	147
Long-term:				
Uncollateralized debt:				
$600 million, 2 75% Notes due 2016	$	—	$	598
$250 million, 5 375% Notes due 2017		249		249
$131 million, 6 35% Notes due 2018		131		131
$251 million, 8 5% Notes due 2019		—		250
$250 million, 4 375% Notes due 2020[2]		254		253
$300 million, 5 125% Notes due 2020[2]		303		302
$78 million, 6 37% Notes due 2021		78		78
$300 million, 4 5% Notes due 2021[2]		304		301
$750 million, 4% Notes due 2022		743		741
$100 million, 7 65% Notes due 2023		100		100
$17 million, 8 3% Notes due 2023		17		17
$900 million, 3 25% Notes due 2025		892		—
$300 million, 7 875% Debentures due 2027		299		298
$83 million, 8 3% Step Down Notes due 2033		82		82
$500 million, 6 15% Notes due 2036		498		498
$300 million, 5 875% Notes due 2041		295		295
$750 million, 5 375% Notes due 2042		743		743
Other, including capital leases		32		43
TOTAL LONG-TERM DEBT	$	5,020	$	4,979

(1) As explained in Note 2(B), in the fourth quarter of 2015, the Company retrospectively adopted ASU 2015-03 that requires debt issuance costs to be netted against the carrying value of the debt Amounts presented above for 2014 have been retrospectively adjusted to conform to the new guidance The impact on 2014 balances was not material.

(2) The Company has entered into interest rate swap contracts hedging a portion of these fixed-rate debt instruments See Note 12 for further information about the Company's interest rate risk management and these derivative instruments

On March 11, 2015, the Company issued $900 million of 10-Year Notes due April 15, 2025 at a stated interest rate of 3 25% ($892 million, net of discount and issuance costs, with an effective annual interest rate of 3 36%) Interest is payable on April 15 and October 15 of each year beginning October 15, 2015 The proceeds of this debt were used to repay debt maturing in 2016 and in 2019 as described below

The Company may redeem the newly issued Notes, at any time, in whole or in part, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed; or
- the present value of the remaining principal and interest payments on the Notes being redeemed discounted at the applicable Treasury rate plus 17 5 basis points

The following debt transactions occurred in April 2015:

- The Company redeemed its 2.75% Notes due 2016, including accrued interest from November 15, 2014 through the settlement date of April 13, 2015. The redemption price equaled the present value of the remaining principal and interest payments on the Notes being redeemed, discounted at a rate equal to the 10-year Treasury Rate plus a fixed spread of 30 basis points The Company paid $626 million including accrued interest and expenses, resulting in a pre-tax loss on early debt extinguishment of $21 million ($14 million after-tax) that was recognized in the second quarter of 2015
- The Company redeemed its 8 50% Notes due 2019, including accrued interest from November 1, 2014 through the settlement date of April 13, 2015 The redemption price equaled the present value of the remaining principal and interest payments on the Notes

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being redeemed, discounted at a rate equal to the 10-year Treasury Rate plus a fixed spread of 50 basis points The Company paid $329 million including accrued interest and expenses, resulting in a pre-tax loss on early debt extinguishment of $79 million ($51 million after-tax) that was recognized in the second quarter of 2015

The Company has a five-year revolving credit and letter of credit agreement for $1 5 billion that permits up to $500 million to be used for letters of credit This agreement extends through December 2019 and is diversified among 16 banks with three banks each having 12% of the commitment and the remainder spread among 13 banks The credit agreement includes options to increase the commitment amount to $2 billion and to extend the term past December 2019, subject to consent by the administrative agent and the committing banks The credit agreement is available for general corporate purposes including for the issuance of letters of credit The credit agreement contains customary covenants and restrictions, including a financial covenant that the Company may not permit its leverage ratio to be greater than 0 50 The leverage ratio is total consolidated debt to total consolidated capitalization (each as defined in the credit agreement) and excludes net unrealized appreciation in fixed maturities and the portion of the post-retirement benefits liability adjustment attributable to pension that is included in accumulated other comprehensive loss on the Company's consolidated balance sheet

The Company had $7 9 billion of borrowing capacity within the maximum debt coverage covenant in the letter of credit agreement, in addition to the $5 2 billion of debt outstanding as of December 31, 2015 This additional borrowing capacity includes the $1.5 billion available under the credit agreement. Letters of credit outstanding as of December 31, 2015 totaled $19 million

The Company was in compliance with its debt covenants as of December 31, 2015.

Maturities of long-term debt, excluding capital leases, are as follows (in millions): none in 2016, $250 in 2017, $131 in 2018, none in 2019, $550 in 2020 and the remainder in years after 2020 Maturities of debt under capital lease arrangements are as follows (in millions): $23 in 2016, $12 in 2017, $7 in 2018, $6 in 2019, none in 2020 and the remainder in years after 2020 Interest expense on long-term and short-term debt was $252 million in 2015, $265 million in 2014, and $270 million in 2013 The 2015 expense excludes losses on the early extinguishment of debt.

NOTE 16 Common and Preferred Stock

As of December 31, the Company had issued the following shares:

(Shares in thousands)	2015	2014	2013
Common: Par value $0 25; 600,000 shares authorized			
Outstanding -- January 1,	259,276	275,526	285,829
Issued for stock option and other benefit plans	2,751	2,284	3,319
Repurchased common stock	(5,483)	(18,534)	(13,622)
Outstanding -- December 31,	256,544	259,276	275,526
Treasury stock	39,601	36,869	90,619
ISSUED -- DECEMBER 31,	**296,145**	**296,145**	**366,145**

The Company maintains a share repurchase program authorized by its Board of Directors Under this program, we may repurchase shares from time to time, depending on market conditions and alternate uses of capital We may suspend activity under our share repurchase program from time to time and may also remove such suspensions without public announcement We may also repurchase shares at times when we otherwise might be precluded from doing so under insider trading laws or because of self-imposed trading black-out periods by using a Rule 10b5-1 trading plan

In 2014, the Company retired 70 million shares of treasury stock This transaction had no effect on total shareholders' equity

The Company has authorized a total of 25 million shares of $1 par value preferred stock No shares of preferred stock were outstanding at December 31, 2015, 2014 or 2013

NOTE 17 Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) excludes amounts required to adjust future policy benefits for the run-off settlement annuity business and a portion of deferred acquisition costs associated with the corporate-owned life insurance business. Changes in the components of accumulated other comprehensive income (loss) were as follows:

(In millions) 2015	Pre-Tax	Tax (Expense) Benefit	After-Tax
Net unrealized appreciation on securities, January 1,	$ 955	$ (335)	$ 620
Net unrealized (depreciation) on securities arising during the year	(389)	157	(232)
Reclassification adjustment for losses included in shareholders' net income (net realized investment gains)	46	(16)	30
Net unrealized (depreciation) on securities arising during the year	(343)	141	(202)
Net unrealized appreciation on securities, December 31,	$ 612	$ (194)	$ 418
Net unrealized (depreciation) on derivatives, January 1,	$ (12)	$ 4	$ (8)
Net unrealized appreciation on derivatives arising during the year	10	(3)	7
Reclassification adjustment for losses included in shareholders' net income (other operating expenses)	12	(4)	8
Net unrealized appreciation on derivatives arising during the year	22	(7)	15
Net unrealized appreciation on derivatives, December 31,	$ 10	$ (3)	$ 7
Net translation of foreign currencies, January 1,	$ (71)	$ 9	$ (62)
Net translation of foreign currencies arising during the year	(224)	12	(212)
Net translation of foreign currencies, December 31,	$ (295)	$ 21	$ (274)
Postretirement benefits liability adjustment, January 1,	$ (2,286)	$ 800	$ (1,486)
Reclassification adjustment for amortization of net losses from past experience and prior service costs (other operating expenses)	68	(23)	45
Net change due to valuation update	63	(23)	40
Net postretirement benefits liability adjustment arising during the year	131	(46)	85
Postretirement benefits liability adjustment, December 31,	$ (2,155)	$ 754	$ (1,401)

(In millions) 2014	Pre-Tax	Tax (Expense) Benefit	After-Tax
Net unrealized appreciation on securities, January 1,	$ 733	$ (256)	$ 477
Net unrealized appreciation on securities arising during the year	249	(89)	160
Reclassification adjustment for (gains) included in shareholders' net income (net realized investment gains)	(27)	10	(17)
Net unrealized appreciation on securities arising during the year	222	(79)	143
Net unrealized appreciation on securities, December 31,	$ 955	$ (335)	$ 620
Net unrealized (depreciation) on derivatives, January 1,	$ (29)	$ 10	$ (19)
Net unrealized appreciation on derivatives, arising during the year	17	(6)	11
Net unrealized (depreciation) on derivatives, December 31,	$ (12)	$ 4	$ (8)
Net translation of foreign currencies, January 1,	$ 91	$ (9)	$ 82
Net translation of foreign currencies, arising during the year	(162)	18	(144)
Net translation of foreign currencies, December 31,	$ (71)	$ 9	$ (62)
Postretirement benefits liability adjustment, January 1,	$ (1,630)	$ 570	$ (1,060)
Reclassification adjustment for amortization of net losses from past experience and prior service costs (other operating expenses)	54	(18)	36
Reclassification adjustment for settlement (other operating expenses)	6	(2)	4
Total reclassification adjustment to shareholders' net income (other operating expenses)	60	(20)	40
Net change due to valuation update	(716)	250	(466)
Net postretirement benefits liability adjustment arising during the year	(656)	230	(426)
Postretirement benefits liability adjustment, December 31,	$ (2,286)	$ 800	$ (1,486)

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(In millions) 2013		Pre-Tax		Tax (Expense) Benefit		After-Tax
Net unrealized appreciation on securities, January 1,	$	1,352	$	(465)	$	887
Net unrealized (depreciation) on securities arising during the year		(498)		166		(332)
Reclassification adjustment for (gains) included in net income (net realized investment gains)		(121)		43		(78)
Net unrealized (depreciation) on securities arising during the year		(619)		209		(410)
Net unrealized appreciation on securities, December 31,	$	733	$	(256)	$	477
Net unrealized depreciation on derivatives, January 1,	$	(43)	$	15	$	(28)
Net unrealized appreciation on derivatives arising during the year		14		(5)		9
Net unrealized depreciation on derivatives, December 31,	$	(29)	$	10	$	(19)
Net translation of foreign currencies, January 1,	$	91	$	(22)	$	69
Net translation of foreign currencies arising during the year		—		13		13
Net translation of foreign currencies, December 31,	$	91	$	(9)	$	82
Postretirement benefits liability adjustment, January 1,	$	(2,460)	$	861	$	(1,599)
Reclassification adjustment for amortization of net losses from past experience and prior service costs (other operating expenses)		70		(25)		45
Reclassification adjustment for curtailment gain (other operating expenses)		(19)		7		(12)
Total reclassification adjustment to shareholders' net income (other operating expenses)		51		(18)		33
Net change due to valuation update and plan amendments		779		(273)		506
Net postretirement benefits liability adjustment arising during the year		830		(291)		539
Postretirement benefits liability adjustment, December 31,	$	(1,630)	$	570	$	(1,060)

NOTE 18 Shareholders' Equity and Dividend Restrictions

State insurance departments and foreign jurisdictions that regulate certain of the Company's subsidiaries prescribe accounting practices (differing in some respects from GAAP) to determine statutory net income and surplus The Company's life insurance and HMO company subsidiaries are regulated by such statutory requirements The statutory net income of the Company's life insurance and HMO subsidiaries for the years ended, and their statutory surplus as of December 31, were as follows:

(In billions)		2015		2014		2013
Net income	$	2 1	$	2 0	$	1 6
Surplus	$	8 0	$	7 5	$	6 3

The Company's HMO and life subsidiaries are subject to minimum statutory surplus requirements and may be required to maintain investments on deposit with state departments of insurance or other regulatory bodies Additionally, these subsidiaries may be subject to regulatory restrictions on the amount of annual dividends or other distributions (such as loans or cash advances) that insurance companies may extend to the parent company without prior approval As of December 31, 2015, these amounts, including restricted net assets of the Company, were as follows:

(In billions)		2015
Minimum statutory surplus required by regulators	$	2.6
Investments on deposit with regulatory bodies	$	0 4
Maximum dividend distributions permitted in 2016 without state approval	$	1 5
Maximum loans to the parent company permitted without state approval	$	1 3
Restricted net assets of Cigna Corporation	$	8 6

Statutory surplus for each of the Company's life insurance and HMO subsidiaries is sufficient to meet the minimum required by regulators For one of the Company's foreign insurance subsidiaries, the regulatory authority has permitted deferral of certain policy acquisition costs that increased statutory capital and surplus by approximately $0 2 billion as of December 31, 2015 There were no other permitted practices for the Company's insurance subsidiaries that significantly differed from prescribed regulatory accounting practices

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NOTE 19 Income Taxes

A. Income Tax Expense

The components of income taxes for the years ended December 31 were as follows:

(In millions)		2015		2014		2013
Current taxes						
U S income taxes	$	1,076	$	1,068	$	382
Foreign income taxes		93		115		77
State income taxes		60		49		42
		1,229		1,232		501
Deferred taxes (benefits)						
U S income taxes		22		10		152
Foreign income taxes (benefits)		(6)		(22)		46
State income taxes (benefits)		5		(10)		(1)
		21		(22)		197
Total income taxes	$	1,250	$	1,210	$	698

Total income taxes for the years ended December 31 were different from the amount computed using the nominal federal income tax rate of 35% for the following reasons:

(In millions)		2015		2014		2013
Tax expense at nominal rate	$	1,164	$	1,156	$	761
Effect of undistributed foreign earnings		(67)		(74)		(42)
Health insurance industry tax		109		83		—
State income tax (net of federal income tax benefit)		42		25		27
Other		2		20		(48)
Total income taxes	$	1,250	$	1,210	$	698

Consolidated pre-tax income from the Company's foreign operations was approximately 11% of the Company's pre-tax income in 2015, 10% in 2014 and 12% in 2013

Effective Tax Rates

The consolidated effective tax rates of 37 6% in 2015 and 36 6% in 2014 have increased from historical levels due to the health insurance industry tax that took effect in 2014 and that is not deductible for federal income tax purposes. Other matters having a significant impact on the effective tax rate included:

- ***Undistributed foreign earnings.*** As part of its global capital management strategy, the Company's foreign operations retain a significant portion of their earnings overseas. These undistributed earnings are deployed outside of the U S in support of the liquidity and capital needs of our foreign operations The Company does not intend to repatriate these earnings to the U S and as a result, income taxes are provided using the respective foreign jurisdictions' tax rate The Company has accumulated undistributed foreign earnings of $2.2 billion as of December 31, 2015 If the Company intended to repatriate these foreign earnings to the U S, the Company's consolidated balance sheet would have included an additional $290 million of deferred tax liabilities as of December 31, 2015

- ***Completion of IRS examinations/other 2013 impacts.*** In 2013, the Internal Revenue Service ("IRS") completed its examination of the Company's 2009 and 2010 tax years, resulting in an increase to shareholders' net income of $18 million In addition, income tax expense was reduced in 2013 due to certain other tax benefits related to the Company's foreign operations

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B. Deferred Income Taxes

Deferred income tax assets and liabilities as of December 31 were as follows:

(In millions)	2015	2014
Deferred tax assets		
Employee and retiree benefit plans	$ 535	$ 597
Other insurance and contractholder liabilities	465	440
Net operating losses	101	72
Other accrued liabilities	177	203
Other	99	105
Deferred tax assets before valuation allowance	1,377	1,417
Valuation allowance for deferred tax assets	(71)	(49)
Deferred tax assets, net of valuation allowance	1,306	1,368
Deferred tax liabilities		
Depreciation and amortization	765	755
Unrealized appreciation on investments and foreign currency translation	152	298
Other	10	22
Total deferred tax liabilities	927	1,075
Net deferred income tax assets	$ 379	$ 293

Included in the consolidated net deferred tax asset of $379 million is approximately $150 million of deferred tax liabilities attributable to foreign jurisdictions, most notably Korea and Taiwan.

Management believes that future results will be sufficient to realize the Company's deferred tax assets. With the exception of certain net operating loss related tax benefits, the Company's deferred tax benefits may be carried forward indefinitely. Net operating loss benefits are primarily attributable to foreign jurisdictions. The Company establishes a valuation allowance when it determines that realization of a deferred tax asset does not meet the more likely than not standard. Valuation allowances have been established against certain federal, foreign and state deferred tax assets, generally when there is a requirement to assess them on a separate entity basis. The increased valuation allowance for 2015 is primarily attributable to tax benefits of certain overseas start-up operations.

C. Uncertain Tax Positions

A reconciliation of unrecognized tax benefits for the years ended December 31 was as follows:

(In millions)	2015	2014	2013
Balance at January 1,	$ 26	$ 17	$ 51
Decrease due to prior year positions	-	-	(35)
Increase due to current year positions	7	12	6
Reduction related to lapse of applicable statute of limitations	(2)	(3)	(5)
Balance at December 31,	$ 31	$ 26	$ 17

D. Other Tax Matters

The Internal Revenue Service is expected to complete their examination of the Company's 2011 and 2012 consolidated federal income tax returns during the second half of 2016

The Company conducts business in a number of state and foreign jurisdictions, and may be engaged in multiple audit proceedings at any given time Generally, no further state audit activity is expected for tax years prior to 2011, and prior to 2009 for foreign audit activity

NOTE 20 Employee Incentive Plans

The People Resources Committee ("the Committee") of the Board of Directors awards stock options, restricted stock, deferred stock and strategic performance shares to certain employees The Committee has issued common stock instead of cash compensation and dividend equivalent rights to a very limited extent, as part of restricted and deferred stock units The Company issues shares from Treasury stock for option exercises, awards of restricted stock grants and payment of strategic performance shares, deferred stock units and restricted stock units

Compensation cost and related tax benefits for these awards were as follows:

(In millions)		2015		2014		2013
Compensation cost	$	111	$	101	$	88
Tax benefits	$	24	$	12	$	25

The Company had the following number of common stock shares available for award at December 31: 8 6 million in 2015, 10 3 million in 2014 and 13 2 million in 2013

Stock options. The Company awards options to purchase the Company's common stock at the market price of the stock on the grant date Options vest over periods ranging from one to five years and expire no later than 10 years from grant date

The table below shows the status of, and changes in, common stock options during the last three years:

	2015			2014			2013		
(Options in thousands)	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price	Options		Weighted Average Exercise Price
Outstanding — January 1	7,331	$	51 84	7,350	$	42 24	8,951	$	36 29
Granted	1,410	$	120 94	2,012	$	78 11	1,890	$	58 84
Exercised	(2,146)	$	43 63	(1,869)	$	41.29	(3,107)	$	34 99
Expired or canceled	(162)	$	86 04	(162)	$	64 27	(384)	$	43 86
OUTSTANDING — DECEMBER 31	**6,433**	**$**	**68.86**	**7,331**	**$**	**51.84**	**7,350**	**$**	**42.24**
Options exercisable at year-end	3,414	$	46 55	3,919	$	38 11	4,217	$	35.84

Compensation expense of $36 million related to unvested stock options at December 31, 2015 will be recognized over the next two years (weighted average period)

The table below summarizes information for stock options exercised during the last three years:

(In millions)		2015		2014		2013
Intrinsic value of options exercised	$	179	$	84	$	105
Cash received for options exercised	$	94	$	76	$	109
Excess tax benefits realized from options exercised	$	33	$	19	$	23

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PART II
ITEM 8 Financial Statements and Supplementary Data

The following table summarizes information for outstanding common stock options at December 31, 2015:

		Options Outstanding		Options Exercisable
Number (in thousands)		6,433		3,414
Total intrinsic value (in millions)	$	498	$	341
Weighted average exercise price	$	68 86	$	46 55
Weighted average remaining contractual life		6.8		5 4

The weighted average fair value of options granted under employee incentive plans was $36 40 for 2015, $23 56 for 2014 and $19 84 for 2013 using the Black-Scholes option-pricing model and the assumptions presented in the following table

	2015	2014	2013
Dividend yield	0 0%	0 1%	0.1%
Expected volatility	35 0%	35.0%	40 0%
Risk-free interest rate	1 3%	1 3%	0 7%
Expected option life	4.3 years	4 3 years	4 5 years

The expected volatility reflects the Company's past daily stock price volatility The Company does not consider volatility implied in the market prices of traded options to be a good indicator of future volatility because remaining maturities of traded options are less than one year The risk-free interest rate is derived using the four-year U S Treasury bond yield rate as of the award date for the primary grant Expected option life reflects the Company's historical experience

Restricted stock. The Company awards restricted stock to its employees or directors with vesting periods ranging from two to five years These awards are generally in one of two forms: restricted stock grants or restricted stock units. Restricted stock grants are the most widely used form and are used for substantially all U S -based employees receiving such awards Recipients of restricted stock grants accumulate dividends and can vote during the vesting period, but forfeit their awards and accumulated dividends if their employment terminates before the vesting date Awards of restricted stock units are generally limited to overseas employees A restricted stock unit represents a right to receive a common share of stock when the unit vests Recipients of restricted stock units are entitled to accumulate hypothetical dividends, but cannot vote during the vesting period They forfeit their units and accumulated dividends if their employment terminates before the vesting date

The table below shows the status of, and changes in, restricted stock grants and units during the last three years:

	2015			2014			2013		
(Awards in thousands)	Grants/Units		Weighted Average Fair Value at Award Date	Grants/Units		Weighted Average Fair Value at Award Date	Grants/Units		Weighted Average Fair Value at Award Date
Outstanding – January 1	2,121	$	53 59	2,844	$	41 56	4,064	$	35 00
Awarded	352	$	121 93	454	$	78 99	525	$	59 36
Vested	(736)	$	41 99	(1,065)	$	32 34	(1,480)	$	30 24
Forfeited	(95)	$	68 31	(112)	$	52.95	(265)	$	39 46
OUTSTANDING – DECEMBER 31	**1,642**	**$**	**72.58**	**2,121**	**$**	**53.59**	**2,844**	**$**	**41.56**

The fair value of vested restricted stock was: $92 million in 2015, $85 million in 2014 and $94 million in 2013

At the end of 2015, approximately 3,900 employees held 1 6 million restricted stock grants and units with $56 million of related compensation expense to be recognized over the next two years (weighted average period)

Strategic Performance Shares. The Company awards strategic performance shares to executives and certain other key employees generally with a performance period of three years Strategic performance shares are divided into two broad groups: 50% are subject to a market condition (total shareholder return relative to industry peer companies) and 50% are subject to performance conditions (2013 and 2014 awards: revenue growth and cumulative adjusted net income; 2015 awards, cumulative adjusted net income) These targets are set by the Committee At the end of the performance period, holders of strategic performance shares will be awarded anywhere from 0 to 200% of the original grant of strategic performance shares in Cigna common stock

The table below shows the status of, and changes in, strategic performance shares during the last three years:

	2015		2014		2013	
(Awards in thousands)	Grants/Units	Weighted Average Fair Value at Award Date	Grants/Units	Weighted Average Fair Value at Award Date	Grants/Units	Weighted Average Fair Value at Award Date
Outstanding – January 1	1,547	$ 59 20	1,572	$ 49 67	1,600	$ 41 92
Awarded	311	$ 121 78	450	$ 78 50	616	$ 59 84
Vested	(608)	$ 45 51	(397)	$ 43 53	(448)	$ 36 88
Forfeited	(62)	$ 76 33	(78)	$ 58 41	(196)	$ 47 52
OUTSTANDING – DECEMBER 31	**1,188**	**$ 81.68**	**1,547**	**$ 59.20**	**1,572**	**$ 49.67**

The fair value of vested strategic performance shares was $119 million in 2015, $57 million in 2014 and $42 million in 2013

At the end of 2015, approximately 1,300 employees held 1 2 million strategic performance shares and $37 million of related compensation expense is expected to be recognized over the next two years For strategic performance shares subject to a performance condition, the amount of expense may vary based on actual performance in 2016 and 2017

NOTE 21 Leases and Rentals

The Company's operating leases are primarily for office space Some of these leases include renewal options and other incentives that are amortized over the life of the lease Office space leases active in 2015 had terms ranging from one month to 18 years Net rental expenses for operating leases amounted to approximately $165 million in 2015, $150 million in 2014 and $140 million in 2013 As of December 31, 2015, future net minimum rental payments under non-cancelable operating leases were approximately $700 million, payable as follows:

(In millions)	Operating Lease Payments
2016	$ 127
2017	$ 121
2018	$ 100
2019	$ 85
2020	$ 77
2021 and thereafter	$ 190

The Company also has capital lease arrangements See Note 8 and Note 15 for further information on assets recorded under capital leases and the related obligations

NOTE 22 Segment Information

The financial results of the Company's businesses are reported in the following segments:

Global Health Care aggregates the Commercial and Government operating segments due to their similar economic characteristics, products and services and regulatory environment:

- The ***Commercial*** operating segment encompasses both the U S commercial and certain international health care businesses serving employers and their employees, other groups, and individuals Products and services include medical, dental, behavioral health, vision, and prescription drug benefit plans, health advocacy programs and other products and services to insured and self-insured customers.

- The ***Government*** operating segment offers Medicare Advantage and Medicare Part D plans to seniors and Medicaid plans.

Global Supplemental Benefits includes supplemental health, life and accident insurance products offered in selected international markets and in the U S

Group Disability and Life provides group long-term and short-term disability, group life, accident and specialty insurance products and related services.

Other Operations consist of:

- corporate-owned life insurance ("COLI");

- run-off reinsurance business that is predominantly comprised of GMDB and GMIB business effectively exited through reinsurance with Berkshire in 2013,

- deferred gains recognized from the 1998 sale of the individual life insurance and annuity business and the 2004 sale of the retirement benefits business; and

- run-off settlement annuity business

Corporate reflects amounts not allocated to operating segments, such as net interest expense (defined as interest on corporate debt less net investment income on investments not supporting segment operations), interest on uncertain tax positions, certain litigation matters, intersegment eliminations, compensation cost for stock

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options, expense associated with frozen pension plans and certain costs for corporate projects, including overhead

In the Company's segment disclosures, we present "operating revenues," defined as total revenues excluding realized investment results The Company excludes realized investment results from this measure because its portfolio managers may sell investments based on factors largely unrelated to the underlying business purposes of each segment. As a result, gains or losses created in this process may not be indicative of past or future underlying performance of the business.

The Company uses adjusted income (loss) from operations as its principal financial measure of segment operating performance because management believes it best reflects the underlying results of business operations and permits analysis of trends in underlying revenue, expenses and profitability Beginning on January 1, 2015, adjusted income from operations was newly defined as shareholders' net income (loss) excluding after-tax realized investment gains and losses, net amortization of other acquired intangible assets and special items. Prior period segment information has been restated to reflect these new performance metrics Income or expense amounts are excluded from adjusted income from operations for the following reasons:

- Realized investment results are excluded because, as noted above, our portfolio managers may sell investments based on factors largely unrelated to the underlying business purposes of each segment
- Net amortization of other intangible assets is excluded because it relates to costs incurred for acquisitions and, as a result, it does not relate to the core performance of the Company's business operations. The amortization amount is net of one-time benefits of acquisitions in which the fair value of net assets acquired exceeds the purchase price
- Special items, if any, are excluded because management believes they are not representative of the underlying results of operations

In 2013, adjusted income from operations also excluded the results of the guaranteed minimum income benefit ("GMIB") business prior to the reinsurance transaction with Berkshire.

For the years ended December 31, 2015, 2014 and 2013, the Company reported the following special item charges:

Year[1] (In millions)	Description and Financial Statement Line Item(s)	After-tax	Before-tax
2015	Debt extinguishment costs (Other operating expenses, see Note 15 for details)	$ 65	$ 100
2015	Merger related transaction costs (Other operating expenses, see Note 3 for details)	$ 57	$ 66
2013	Charge related to a reinsurance transaction (see Note 7 for details)	$ 507	$ 781
	– Other benefit expenses		727
	– Other operating expenses		54
2013	Charge for a disability claims regulatory matter (see Note 23 for details)	$ 51	$ 77
	– Other benefit expenses		75
	– Other operating expenses		2
2013	Charge for an organizational efficiency plan (Other operating expenses, see Note 6 for details)	$ 40	$ 60
2013	Costs associated with a pharmacy benefit management ("PBM") services agreement (Other operating expenses)[2]	$ 24	$ 37

(1) There were no special items recorded in 2014

(2) Under this agreement, the Company utilizes a vendor's technology and service platforms, retail network contracting and claims processing services

Summarized segment financial information for the years ended December 31, was as follows:

(In millions)	Global Health Care	Global Supplemental Benefits	Group Disability and Life	Other Operations	Corporate	Total
2015						
Premiums	$ 22,696	$ 3,000	$ 3,843	$ 103	$ –	$29,642
Fees and other revenues	4,357	46	91	13	(19)	4,488
Net investment income	340	103	337	369	4	1,153
Mail order pharmacy revenues	2,536	–	–	–	–	2,536
Total operating revenues	29,929	3,149	4,271	485	(15)	37,819
Net realized investment gains	43	–	5	9	–	57
Total revenues	29,972	3,149	4,276	494	(15)	37,876
Depreciation and amortization	526	31	26	1	1	585
Total benefits and expenses	27,028	2,849	3,796	374	502	34,549
Income before taxes	2,944	300	480	120	(517)	3,327
Income taxes and net income attributable to noncontrolling interests	1,150	33	152	40	(142)	1,233
Shareholders' net income by segment	1,794	267	328	80	(375)	2,094
After-tax adjustments to reconcile to adjusted income from operations:						
Net realized investment (gains)	(30)	(1)	(4)	(5)	–	(40)
Amortization of other acquired intangible assets, net[1]	84	(4)	–	–	–	80
Special items (see summary on Page 106):						
Debt extinguishment costs	–	–	–	–	65	65
Merger-related transaction costs	–	–	–	–	57	57
Adjusted income from operations	$ 1,848	$ 262	$ 324	$ 75	$ (253)	$ 2,256

(1) *As disclosed in Note 8, includes a one-time $23 million benefit.*

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(In millions)	Global Health Care	Global Supplemental Benefits	Group Disability and Life	Other Operations	Corporate	Total
2014						
Premiums	$ 20,709	$ 2,844	$ 3,549	$ 112	$ –	$27,214
Fees and other revenues	4,005	52	86	14	(16)	4,141
Net investment income	337	109	335	384	1	1,166
Mail order pharmacy revenues	2,239	–	–	–	–	2,239
Total operating revenues	27,290	3,005	3,970	510	(15)	34,760
Net realized investment gains	79	3	22	15	35	154
Total revenues	27,369	3,008	3,992	525	20	34,914
Depreciation and amortization	513	50	22	2	1	588
Total benefits and expenses	24,610	2,734	3,513	413	340	31,610
Income before taxes	2,759	274	479	112	(320)	3,304
Income taxes and net loss attributable to noncontrolling interests	1,059	41	148	33	(79)	1,202
Shareholders' net income by segment	1,700	233	331	79	(241)	2,102
After-tax adjustments to reconcile to adjusted income from operations:						
Net realized investment (gains)	(54)	(3)	(14)	(11)	(24)	(106)
Amortization of other acquired intangible assets, net	106	13	–	–	–	119
Adjusted income from operations	$ 1,752	$ 243	$ 317	$ 68	$ (265)	$ 2,115

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(In millions)	Global Health Care	Global Supplemental Benefits	Group Disability and Life	Other Operations	Corporate	Total
2013						
Premiums	$ 19,626	$ 2,496	$ 3,348	$ 105	$ –	$25,575
Fees and other revenues	3,518	43	78	(24)	(14)	3,601
Net investment income	325	100	321	408	10	1,164
Mail order pharmacy revenues	1,827	–	–	–	–	1,827
Total operating revenues	25,296	2,639	3,747	489	(4)	32,167
Net realized investment gains	113	3	62	35	–	213
Total revenues	25,409	2,642	3,809	524	(4)	32,380
Depreciation and amortization	529	50	14	1	3	597
Total benefits and expenses	22,957	2,412	3,387	1,120	328	30,204
Income before taxes	2,452	230	422	(596)	(332)	2,176
Income taxes and net loss attributable to noncontrolling interests	862	50	123	(225)	(110)	700
Shareholders' net income by segment	1,590	180	299	(371)	(222)	1,476
After-tax adjustments to reconcile to adjusted income from operations:						
Net realized investment (gains)	(73)	(5)	(40)	(23)	–	(141)
Amortization of other acquired intangible assets, net	127	17	–	–	–	144
Results of GMIB business	–	–	–	(25)	–	(25)
Special items (see summary on Page 106):						
Costs associated with PBM service agreement	24	–	–	–	–	24
Charge related to reinsurance transaction	–	–	–	507	–	507
Charge for disability claims regulatory matter	–	–	51	–	–	51
Charge for organizational efficiency plan	31	8	1	–	–	40
Adjusted income from operations	$ 1,699	$ 200	$ 311	$ 88	$ (222)	$ 2,076

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Revenue from external customers includes premiums, fees and other revenues, and mail order pharmacy revenues. The following table presents these revenues by product type for the years ended December 31:

(In millions)	2015	2014	2013
Medical			
Premiums by product:			
Guaranteed cost	$ 4,761	$ 4,600	$ 4,463
Experience-rated	2,329	2,322	2,292
Stop loss	2,701	2,318	1,907
International health care	1,834	1,827	1,752
Dental	1,392	1,257	1,139
Medicare	6,142	5,660	5,639
Medicaid	1,102	515	317
Medicare Part D	1,589	1,405	1,387
Other medical premiums	846	805	730
Total medical premiums	22,696	20,709	19,626
Medical fees	4,107	3,767	3,307
Total medical premiums and fees	26,803	24,476	22,933
Disability	1,899	1,767	1,616
Life, Accident and Supplemental Health	5,054	4,739	4,322
Mail order pharmacy	2,536	2,239	1,827
Other	374	373	305
Total	$ 36,666	$ 33,594	$ 31,003

Foreign and U.S. revenues from external customers for the three years ended December 31 are shown below. In the periods shown, no foreign country contributed more than 5% of consolidated revenues from external customers.

(In millions)	2015	2014	2013
U.S.	$ 33,185	$ 30,070	$ 27,868
Foreign	3,481	3,524	3,135
TOTAL	$ 36,666	$ 33,594	$ 31,003

The Company had net receivables from CMS of $1.5 billion as of December 31, 2015 and $0.8 billion as of December 31, 2014. These amounts were included in premiums, accounts and notes receivable and reinsurance recoverables. Receivables from CMS included $0.4 billion as of December 31, 2015 and $0.3 billion as of December 31, 2014 related to government risk mitigation programs in our Commercial business. As a percentage of consolidated revenues, premiums and fees from CMS were 21% in 2015, 21% in 2014 and 22% in 2013. These amounts were reported in the Global Health Care segment.

NOTE 23 Contingencies and Other Matters

The Company, through its subsidiaries, is contingently liable for various guarantees provided in the ordinary course of business

A. Financial Guarantees: Retiree and Life Insurance Benefits

Separate account assets are contractholder funds maintained in accounts with specific investment objectives The Company records separate account liabilities equal to separate account assets In certain cases, the Company guarantees a minimum level of benefits for retirement and insurance contracts written in separate accounts. The Company establishes an additional liability if management believes that the Company will be required to make a payment under these guarantees.

The Company guarantees that separate account assets will be sufficient to pay certain life insurance or retiree benefits The sponsoring employers are primarily responsible for ensuring that assets are sufficient to pay these benefits and are required to maintain assets that exceed a certain percentage of benefit obligations This percentage varies depending on the asset class within a sponsoring employer's portfolio (for example, a bond fund would require a lower percentage than a riskier equity fund) and thus will vary as the composition of the portfolio changes If employers do not maintain the required levels of separate account assets, the Company or an affiliate of the buyer of the retirement benefits business (Prudential Retirement Insurance and Annuity Company) has the right to redirect the management of the related assets to provide for benefit payments As of December 31, 2015, employers maintained assets that exceeded the benefit obligations Benefit obligations under these arrangements were $495 million as of December 31, 2015 and approximately 13% of these are reinsured by an affiliate of the buyer of the retirement benefits business The remaining guarantees are provided by the Company with minimal reinsurance from third parties There were no additional liabilities required for these guarantees as of December 31, 2015 Separate account assets supporting these guarantees are classified in Levels 1 and 2 of the GAAP fair value hierarchy See Note 10 for further information on the fair value hierarchy

The Company does not expect that these financial guarantees will have a material effect on the Company's consolidated results of operations, liquidity or financial condition

B. Guaranteed Minimum Income Benefit Contracts

Under these guarantees, future payment amounts are dependent on underlying mutual fund investment values and interest rate levels prior to and at the date of annuitization election that must occur within 30 days of a policy anniversary after the appropriate waiting period. Therefore, the future payments are not fixed and determinable under the terms of these contracts Accordingly, the Company calculated exposure, without considering any reinsurance coverage, using the following hypothetical assumptions:

- no annuitants surrendered their accounts;
- all annuitants lived to elect their benefit;
- all annuitants elected to receive their benefit on the next available date (2016 through 2021); and
- all underlying mutual fund investment values remained at the December 31, 2015 value of $944 million with no future returns

The Company has reinsurance coverage in place that covers the exposures on these contracts Using these hypothetical assumptions, GMIB exposure is $776 million, which is lower than the recorded liability for GMIB calculated using fair value assumptions. See Notes 7, 10 and 12 for further information on GMIB contracts

C. Certain Other Guarantees

The Company had indemnification obligations to lenders of up to $173 million as of December 31, 2015, related to borrowings by certain real estate joint ventures that the Company either records as an investment or consolidates These borrowings, that are nonrecourse to the Company, are secured by the joint ventures' real estate properties with fair values in excess of the loan amounts and mature at various dates beginning in 2016 through 2021 The Company's indemnification obligations would require payment to lenders for any actual damages resulting from certain acts such as unauthorized ownership transfers, misappropriation of rental payments by others or environmental damages Based on initial and ongoing reviews of property management and operations, the Company does not expect that payments will be required under these indemnification obligations Any payments that might be required could be recovered through a refinancing or sale of the assets In some cases, the Company also has recourse to partners for their proportionate share of amounts paid There were no liabilities required for these indemnification obligations as of December 31, 2015

As of December 31, 2015, the Company guaranteed that it would compensate the lessors for a shortfall of up to $41 million in the market value of certain leased equipment at the end of the lease Guarantees of $16 million expire in 2016 and $25 million expire in 2022 The Company had liabilities for these guarantees of $14 million as of December 31, 2015

The Company does not expect that these guarantees will have a material adverse effect on the Company's consolidated results of operations, financial condition or liquidity.

The Company had indemnification obligations as of December 31, 2015 in connection with acquisition, disposition and reinsurance transactions These indemnification obligations are triggered by the breach of representations or covenants provided by the Company, such as representations for the presentation of financial statements, actuarial models, the filing of tax returns, compliance with law or the identification of outstanding litigation These obligations are typically subject to various time limitations, defined by the contract or by

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operation of law, such as statutes of limitation In some cases, the maximum potential amount due is subject to contractual limitations based on a percentage of the transaction purchase price, while in other cases limitations are not specified or applicable. The Company does not believe that it is possible to determine the maximum potential amount due under these obligations because not all amounts due under these indemnification obligations are subject to limitation There were no liabilities for these indemnification obligations as of December 31, 2015

D. Guaranty Fund Assessments

The Company operates in a regulatory environment that may require the Company to participate in assessments under state insurance guaranty association laws. The Company's exposure to assessments for certain obligations of insolvent insurance companies to policyholders and claimants is based on its share of business written in the relevant jurisdictions For the year ended December 31, 2015 and 2014, charges related to guaranty fund assessments were immaterial to the Company's results of operations

The Company is aware of an insurer that is in rehabilitation In 2012, the state court denied the regulator's amended petitions for liquidation and set forth specific requirements and a deadline for the regulator to develop a plan of rehabilitation without liquidating the insurer The regulator has appealed the court's decision If the actions taken in the rehabilitation plan fail to improve this insurer's financial condition, or if the state court's ruling is overturned on appeal, this insurer may be forced into insolvency In that event, the Company would be required to pay guaranty fund assessments related to this insurer Due to the uncertainties surrounding this matter, the Company is unable to estimate the amount of any potential guaranty fund assessments The Company is monitoring this situation

E. Legal and Regulatory Matters

The Company is routinely involved in numerous claims, lawsuits, regulatory audits, investigations and other legal matters arising, for the most part, in the ordinary course of managing a health services business These actions may include benefit disputes, breach of contract claims, tort claims, provider disputes, disputes regarding reinsurance arrangements, employment and employment discrimination-related suits, employee benefit claims, wage and hour claims, privacy, intellectual property claims and real estate-related disputes There are currently, and may be in the future, attempts to bring class action lawsuits against the industry The Company also is regularly engaged in IRS audits and may be subject to examinations by various state and foreign taxing authorities Disputed income tax matters arising from these examinations, including those resulting in litigation, are accounted for under GAAP for uncertain tax positions Further information on income tax matters can be found in Note 19

The business of administering and insuring health services programs, particularly health care and group insurance programs, is heavily regulated by federal and state laws and administrative agencies, such as state departments of insurance, HHS and the U S Departments of Treasury, Labor and Justice, as well as the courts Health care regulation and legislation in its various forms, including the implementation of Health Care Reform, other regulatory reform initiatives, such as those relating to Medicare programs, or additional changes in existing laws or regulations or their interpretations, could have a material adverse effect on the Company's business, results of operations and financial condition

In addition, there is heightened review by federal and state regulators of the health care, disability and life insurance industry business and related reporting practices Cigna is frequently the subject of regulatory market conduct reviews and other examinations of its business and reporting practices, audits and investigations by state insurance and health and welfare departments, state attorneys general, CMS and the Office of Inspector General ("OIG") With respect to Cigna's Medicare Advantage business, the CMS and OIG perform audits to determine a health plan's compliance with federal regulations and contractual obligations, including compliance with proper coding practices (sometimes referred to as "Risk Adjustment Data Validation Audits" or "RADV audits") that may result in retrospective adjustments to payments made to health plans Regulatory actions can result in assessments, civil or criminal fines or penalties or other sanctions, including loss of licensing or exclusion from participating in government programs

As a global company, Cigna is also subject to the laws, regulations and rules of the foreign jurisdictions in which it conducts business Foreign laws and rules and regulatory audit and investigation practices may differ from, or be more stringent than, similar requirements in the U S

Regulation, legislation and judicial decisions have resulted in changes to industry and the Company's business practices, financial liability or other sanctions and will continue to do so in the future

When the Company (in the course of its regular review of pending litigation and legal or regulatory matters) has determined that a material loss is reasonably possible, the matter is disclosed Such matters are described in the Litigation Matters and Regulatory Matters sections below In accordance with GAAP, when litigation and regulatory matters present loss contingencies that are both probable and estimable, the Company accrues the estimated loss by a charge to net income The amount accrued represents the Company's best estimate of the probable loss at the time If only a range of estimated losses can be determined, the Company accrues an amount within the range that, in the Company's judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, the Company accrues the minimum amount of the range

In cases when the Company has accrued an estimated loss, the accrued amount may differ materially from the ultimate amount of the loss In many proceedings, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any loss The Company provides disclosure in the aggregate for material pending litigation and legal or regulatory matters, including accruals, range of loss, or a statement that such information cannot be estimated As a litigation or regulatory matter develops, the Company monitors the matter for further developments that could affect the amount previously accrued, if any, and updates such amount accrued or disclosures previously provided as appropriate

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The outcome of litigation and other legal or regulatory matters is always uncertain, and unfavorable outcomes that are not justified by the evidence or existing law can occur The Company believes that it has valid defenses to the matters pending against it and is defending itself vigorously Except as otherwise noted, the Company believes that the legal actions, regulatory matters, proceedings and investigations currently pending against it should not have a material adverse effect on the Company's results of operations, financial condition or liquidity based upon current knowledge and taking into consideration current accruals The Company had pre-tax reserves as of December 31, 2015 of $190 million ($125 million after-tax) for the matters discussed below Due to numerous uncertain factors presented in these cases, it is not possible to estimate an aggregate range of loss (if any) for these matters at this time In light of the uncertainties involved in these matters, there is no assurance that their ultimate resolution will not exceed the amounts currently accrued by the Company An adverse outcome in one or more of these matters could be material to the Company's results of operations, financial condition or liquidity for any particular period

Litigation Matters

Amara cash balance pension plan litigation. In December, 2001, Janice Amara filed a class action lawsuit in the U S District Court for the District of Connecticut against Cigna Corporation and the Cigna Pension Plan (the "Plan") on behalf of herself and other similarly situated Plan participants affected by the 1998 conversion to a cash balance formula The plaintiffs allege various violations of the Employee Retirement Income Security Act of 1974 ("ERISA"), including that the Plan's cash balance formula discriminates against older employees; that the conversion resulted in a wear-away period (when the pre-conversion accrued benefit exceeded the post-conversion benefit); and that the Plan communications contained inaccurate or inadequate disclosures about these conditions

In 2008, the District Court (1) affirmed the Company's right to convert to a cash balance plan prospectively beginning in 1998; (2) found for plaintiffs on the disclosure claim only; and (3) required the Company to pay pre-1998 benefits under the pre-conversion traditional annuity formula and post-1997 benefits under the post-conversion cash balance formula The Second Circuit upheld this decision From 2008 through the present, this case has undergone a series of court proceedings that resulted in the original District Court order being largely upheld In 2015, the Company submitted to the District Court its proposed method for calculating the additional pension benefits due to class members and plaintiffs responded in August 2015 In January 2016, the District Court ordered the method of calculating the additional pension benefits due to class members Accordingly, management expects this lawsuit to be resolved, and the Plan to be amended to comply with the District Court's order, in 2016 The Company's reserve for this litigation remains reasonable at December 31, 2015 based on a calculation compliant with the court order

Ingenix. In April 2004, the Company was sued in a number of putative nationwide class actions alleging that the Company improperly underpaid claims for out-of-network providers through the use of data provided by Ingenix, Inc , a subsidiary of one of the Company's competitors These actions were consolidated into *Franco v. Connecticut General Life Insurance Company, et al.*, pending in the U S District Court for the District of New Jersey The consolidated amended complaint, filed in 2009 on behalf of subscribers, health care providers and various medical associations, asserted claims related to benefits and disclosure under ERISA, the Racketeer Influenced and Corrupt Organizations ("RICO") Act, the Sherman Antitrust Act and New Jersey state law and seeks recovery for alleged underpayments from 1998 through the present Other major health insurers have been the subject of, or have settled, similar litigation

In September 2011, the District Court (1) dismissed all claims by the health care provider and medical association plaintiffs for lack of standing; and (2) dismissed the antitrust claims, the New Jersey state law claims and the ERISA disclosure claim In January 2013 and again in April 2014, the District Court denied separate motions by the plaintiffs to certify a nationwide class of subscriber plaintiffs The Third Circuit denied plaintiff's request for an immediate appeal of the January 2013 ruling As a result, the case is proceeding on behalf of the named plaintiffs only In June 2014, the District Court granted the Company's motion for summary judgment to terminate all claims, and denied the plaintiffs' partial motion for summary judgment In July 2014, the plaintiffs appealed all of the District Court's decisions in favor of the Company, including the class certification decision, to the Third Circuit The Company will continue to vigorously defend its position

Regulatory Matters

CMS actions. In January 2016, CMS issued to the Company a Notice of Imposition of Immediate Intermediate Sanctions ("the Notice") The Notice requires the Company to suspend certain enrollment and marketing activities for its Medicare Advantage-Prescription Drug and Medicare Part D Plans The sanctions do not impact the ability of current enrollees to remain covered by the Company's Medicare Advantage-Prescription Drug or Medicare Part D Plans

CMS imposed sanctions based on its finding of deficiencies with the Company's operations of its Parts C and D appeals and grievances, Part D formulary and benefit administration, and compliance program The Company is working to resolve these matters as quickly as possible and is cooperating fully with CMS on its review Based on management's current expectations, the Company does not expect the impact to its 2016 consolidated results of operations, financial condition or cash flows to be material

Disability claims regulatory matter. During the second quarter of 2013, the Company finalized an agreement with the Departments of Insurance for Maine, Massachusetts, Pennsylvania, Connecticut and California (together, the "monitoring states") related to the Company's long-term disability claims handling practices Most other jurisdictions have joined the agreement as participating, non-monitoring states The agreement requires, among other things: (1) enhanced procedures related to documentation and disposition; (2) a two-year monitoring period; and (3) reassessment of claims denied or closed during a two-year prior period, except California that has a three-year reassessment period As previously disclosed, the

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PART II
ITEM 8 Financial Statements and Supplementary Data

Company recorded a charge of $77 million before-tax ($51 million after-tax) in the first quarter of 2013 related to this matter The Company is actively addressing the requirements of the agreement If the monitoring states find material non-compliance with the agreement upon re-examination, the Company may be subject to additional costs and penalties

Other Legal Matters

Following announcement of the Company's merger agreement with Anthem as discussed in Note 3, six putative class action complaints (collectively the "complaints" or "Cigna Merger Litigation") were filed by purported Cigna shareholders on behalf of a purported class of Cigna shareholders Five of the complaints were filed in the Court of Chancery of the State of Delaware. The sixth complaint was filed in the Connecticut Superior Court, Judicial District of Hartford. Additional lawsuits arising out of or relating to the merger agreement or the merger may be filed in the future.

Cigna, members of the Cigna board of directors, Anthem and Anthem Merger Sub Corp ("Merger Sub") have been named as defendants The plaintiffs generally assert that the members of the Cigna board of directors breached their fiduciary duties to the Cigna shareholders during merger negotiations and by entering into the merger agreement and approving the merger, and that Cigna, Anthem and Merger Sub aided and abetted such breaches of fiduciary duties. The allegations include, among other things, that (1) the merger consideration undervalues Cigna, (2) the sales process leading up to the merger was flawed due to purported conflicts of interest of members of the Cigna board of directors and (3) certain provisions of the merger agreement inappropriately favor Anthem and inhibit competing bids. Plaintiffs seek, among other things, injunctive relief enjoining the merger, rescission of the merger agreement to the extent already implemented, and costs and damages.

Effective November 24, 2015, solely to avoid the costs, risks and uncertainties inherent in litigation, and without admitting any liability or wrongdoing, the Company, the Company's directors, Anthem and Merger Sub entered into a Memorandum of Understanding ("MOU") to settle the Cigna Merger Litigation Subject to court approval and further definitive documentation in a settlement agreement that will be subject to customary conditions, the MOU resolved the Cigna Merger Litigation and provided that the Company would make certain additional disclosures related to the merger If the Court approves the settlement, the Cigna Merger Litigation will be dismissed with prejudice and all claims that were or could have been brought in any actions challenging any aspect of the merger, the merger agreement and any related disclosures will be released In connection with the settlement, subject to the ultimate determination of the Court, plaintiffs' counsel may receive an award of reasonable fees There can be no assurance that the parties will ultimately enter into a settlement agreement, or that the Court will approve the settlement even if the parties were to enter into such agreement The MOU may terminate, if, among other reasons, the Court does not approve the settlement or the merger is not consummated for any reason Following entry into the MOU, the five complaints filed in Delaware were voluntarily dismissed with prejudice

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Quarterly Financial Data *(unaudited)*

The following unaudited quarterly financial data is presented on a consolidated basis for each of the years ended December 31, 2015 and December 31, 2014 Quarterly financial results necessarily rely heavily on estimates This and certain other factors, such as the seasonal nature of portions of the insurance business, suggest the need to exercise caution in drawing specific conclusions from quarterly consolidated results.

	Three Months Ended			
(In millions, except per share amount)	March 31	June 30	Sept. 30	Dec. 31
Consolidated Results				
2015				
Total revenues	$ 9,467	$ 9,492	$ 9,389	$ 9,528
Income before income taxes	854	936	878	659
Shareholders' net income	533	588(1)	547(2)	426(2)
Shareholders' net income per share:				
Basic	2.08	2 30	2 14	1 66
Diluted	2.04	2 26	2 10	1 64
2014				
Total revenues	$ 8,496	$ 8,733	$ 8,757	$ 8,928
Income before income taxes	853	901	818	732
Shareholders' net income	528	573	534	467
Shareholders' net income per share:				
Basic	1 96	2 16	2 04	1 80
Diluted	1 92	2 12	2 01	1 77
Stock and Dividend Data				
2015				
Price range of common stock – high	$ 131 13	$ 170 63	$ 166 19	$ 148 51
– low	$ 100 68	$ 124 30	$ 125.61	$ 127 51
Dividends declared per common share	$ 0 04	$ —	$ —	$ —
2014				
Price range of common stock – high	$ 90 63	$ 93 20	$ 97 28	$ 105 73
– low	$ 75 37	$ 73 47	$ 87 33	$ 85 75
Dividends declared per common share	$ 0 04	$ —	$ —	$ —

(1) Shareholders' net income includes an after-tax charge of $63 million for the early extinguishment of debt in the second quarter of 2015. See Note 15 to the Consolidated Financial Statements for additional details

(2) Shareholders' net income includes after-tax charges of $29 million in the third quarter of 2015 and $28 million in the fourth quarter of 2015 for advisory, legal and other transactions costs directly related to the Company's proposed merger with Anthem See Note 3 to the Consolidated Financial Statements for additional details

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

ITEM 9A. Controls and Procedures

A. Disclosure Controls and Procedures

Based on an evaluation of the effectiveness of Cigna's disclosure controls and procedures conducted under the supervision and with the participation of Cigna's management, Cigna's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, Cigna's disclosure controls and procedures are effective to ensure that information required to be disclosed by Cigna in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms

B. Internal Control Over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Management of Cigna Corporation is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's internal controls were designed to provide reasonable assurance to the Company's management and Board of Directors that the Company's consolidated published financial statements for external purposes were prepared in accordance with accounting principles generally accepted in the United States. The Company's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets and liabilities of the Company;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of the Company's assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2015 In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework (2013)* Based on management's assessment and the criteria set forth by COSO, it was determined that the Company's internal controls over financial reporting are effective as of December 31, 2015

The Company's independent registered public accounting firm, PricewaterhouseCoopers, has audited the effectiveness of the Company's internal control over financial reporting, as stated in their report located on page 58 in this Form 10-K

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

A. Directors of the Registrant

The information under the captions "Corporate Governance Matters – Process for Director Elections," "– Board of Directors' Nominees," "– Directors Who Will Continue in Office" and "– Board Meetings and Committees" (as it relates to Audit Committee disclosure) in Cigna's definitive proxy statement related to the 2016 annual meeting of shareholders is incorporated by reference

B. Executive Officers of the Registrant

See PART I – "Executive Officers of the Registrant" on page 30 in this Form 10-K

C. Code of Ethics and Other Corporate Governance Disclosures

The information under the caption "Corporate Governance Matters – Codes of Ethics" in Cigna's definitive proxy statement related to the 2016 annual meeting of shareholders is incorporated by reference

D. Section 16(a) Beneficial Ownership Reporting Compliance

The information under the caption "Ownership of Cigna Common Stock – Section 16(a) Beneficial Ownership Reporting Compliance" in Cigna's definitive proxy statement related to the 2016 annual meeting of shareholders is incorporated by reference

ITEM 11. Executive Compensation

The information under the captions "Corporate Governance Matters – Non-Employee Director Compensation," "Compensation Matters – Report of the People Resources Committee," "– Compensation Discussion and Analysis" and "– Executive Compensation Tables" in Cigna's definitive proxy statement related to the 2016 annual meeting of shareholders is incorporated by reference

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table presents information regarding Cigna's equity compensation plans as of December 31, 2015:

Plan Category	(a) (1) Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights		(b) (2) Weighted Average Exercise Price Per Share Of Outstanding Options, Warrants And Rights	(c) (3) Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a))
Equity Compensation Plans Approved by Security Holders	9,070,059	$	68 86	8,840,649
Equity Compensation Plans Not Approved by Security Holders	—		—	—
Total	9,070,059	$	68.86	8,840,649

(1) Includes, in addition to outstanding stock options, 159,498 restricted stock units, 102,376 deferred shares and 2,375,640 strategic performance shares, which are reported at the maximum 200% payout rate. Also includes 296,903 shares of common stock underlying stock option awards granted under the HealthSpring, Inc Amended and Restated 2006 Equity Incentive Plan which was approved by HealthSpring's shareholders before Cigna's acquisition of HealthSpring in January 2012

(2) The weighted-average exercise price is based only on outstanding stock options. The outstanding stock options assumed due to Cigna's acquisition of HealthSpring, Inc. have a weighted-average exercise price of $17.86. Excluding these assumed options results in a weighted-average exercise price of $71 33.

(3) Includes 271,407 shares of common stock available as of the close of business December 31, 2015 for future issuance under the Cigna Directors Equity Plan and 8,569,242 shares of common stock available as of the close of business on December 31, 2015 for future issuance under the Cigna Long-Term Incentive Plan

The information under the captions "Ownership of Cigna Common Stock – Stock Held by Directors, Nominees and Executive Officers" and "Ownership of Cigna Common Stock – Stock Held by Certain Beneficial Owners" in Cigna's definitive proxy statement related to the 2016 annual meeting of shareholders is incorporated by reference.

ITEM 13. Certain Relationships and Related Transactions

The information under the captions "Corporate Governance Matters – Director Independence" and "– Certain Transactions" in Cigna's definitive proxy statement related to the 2016 annual meeting of shareholders is incorporated by reference

ITEM 14. Principal Accounting Fees and Services

The information under the captions "Audit Matters – Policy for the Pre-Approval of Audit and Non-Audit Services" and "– Fees to Independent Registered Public Accounting Firm" in Cigna's definitive proxy statement related to the 2016 annual meeting of shareholders is incorporated by reference.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

(a) (1) The following Financial Statements appear on pages 58 through 114:

Report of Independent Registered Public Accounting Firm.

Consolidated Statements of Income for the years ended December 31, 2015, 2014 and 2013

Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013

Consolidated Balance Sheets as of December 31, 2015 and 2014.

Consolidated Statements of Changes in Total Equity for the years ended December 31, 2015, 2014 and 2013.

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013.

Notes to the Consolidated Financial Statements.

(2) The financial statement schedules are listed in the Index to Financial Statement Schedules on page FS-1

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PART IV
ITEM 15 Signatures

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

CIGNA CORPORATION

Date:	February 25, 2016
By	/s/ THOMAS A MCCARTHY **Thomas A. McCarthy** *Executive Vice President and Chief Financial Officer (Principal Financial Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of February 25, 2016

Signature	Title
/s/ DAVID M CORDANI **David M. Cordani**	Chief Executive Officer and Director (Principal Executive Officer)
/s/ THOMAS A MCCARTHY **Thomas A. McCarthy**	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ MARY T HOELTZEL **Mary T. Hoeltzel**	Vice President and Chief Accounting Officer (Principal Accounting Officer)
/s/ ERIC J FOSS **Eric J. Foss**	Director
/s/ MICHELLE D GASS **Michelle D. Gass**	Director
/s/ ISAIAH HARRIS, JR **Isaiah Harris, Jr.**	Chairman of the Board
/s/ JANE E HENNEY, M D **Jane E. Henney, M.D.**	Director
/s/ ROMAN MARTINEZ IV **Roman Martinez IV**	Director
/s/ JOHN M. PARTRIDGE **John M. Partridge**	Director
/s/ JAMES E ROGERS **James E. Rogers**	Director
/s/ ERIC C WISEMAN **Eric C. Wiseman**	Director
/s/ DONNA F ZARCONE **Donna F. Zarcone**	Director
/s/ WILLIAM D ZOLLARS **William D. Zollars**	Director

Cigna Corporation and Subsidiaries

INDEX TO FINANCIAL STATEMENT SCHEDULES

Schedules other than those listed above are omitted because they are not required or are not applicable, or the required information is shown in the financial statements or notes thereto

Report of Independent Registered Public Accounting Firm on Financial Statement Schedules

To the Board of Directors and Shareholders of Cigna Corporation

Our audits of the consolidated financial statements and of the effectiveness of internal control over financial reporting referred to in our report dated February 25, 2016 (which report and consolidated financial statements are included under Item 8 in this Annual Report on Form 10-K) also included an audit of the financial statement schedules listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 25, 2016

Cigna Corporation and Subsidiaries
Schedule I – Summary of Investments – Other Than Investments in Related Parties
December 31, 2015

Type of Investment (In millions)	Cost	Fair Value	Amount at which shown in the Consolidated Balance Sheet
Fixed maturities:			
Bonds:			
United States government and government agencies and authorities	$ 528	$ 779	$ 779
States, municipalities and political subdivisions	1,496	1,641	1,641
Foreign governments	1,870	2,014	2,014
Public utilities	1,648	1,743	1,743
All other corporate bonds	12,364	12,695	12,695
Asset backed securities:			
Mortgage-backed	48	49	49
Other asset-backed	492	524	524
Redeemable preferred stocks	10	10	10
TOTAL FIXED MATURITIES	18,456	19,455	19,455
Equity securities:			
Common stocks:			
Industrial, miscellaneous and all other	91	97	97
Non-redeemable preferred stocks	99	93	93
TOTAL EQUITY SECURITIES	190	190	190
Commercial mortgage loans on real estate	1,864		1,864
Policy loans	1,419		1,419
Other long-term investments	1,404		1,404
Short-term investments	381		381
TOTAL INVESTMENTS	$ 23,714		$ 24,713

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PART IV
ITEM 15 Exhibits and Financial Statement Schedules

Cigna Corporation and Subsidiaries
Schedule II – Condensed Financial Information of Cigna Corporation – (Registrant)

Statements of Income

(In millions)	For the years ended December 31, 2015	2014	2013
Operating expenses:			
Interest	$ 246	$ 258	$ 264
Intercompany interest	2	5	2
Loss on early extinguishment of debt	100	—	—
Other	147	82	69
TOTAL OPERATING EXPENSES	495	345	335
Loss before income taxes	(495)	(345)	(335)
Income tax benefit	(135)	(89)	(109)
Loss of parent company	(360)	(256)	(226)
Equity in income of subsidiaries	2,454	2,358	1,702
SHAREHOLDERS' NET INCOME	2,094	2,102	1,476
Shareholders' other comprehensive income (loss):			
Net unrealized appreciation (depreciation) on securities	(202)	143	(410)
Net unrealized appreciation on derivatives	15	11	9
Net translation of foreign currencies	(212)	(144)	13
Postretirement benefits liability adjustment	85	(426)	539
Shareholders' other comprehensive income (loss)	(314)	(416)	151
SHAREHOLDERS' COMPREHENSIVE INCOME	$ 1,780	$ 1,686	$ 1,627

See Notes to Financial Statements on the following pages.

Cigna Corporation and Subsidiaries
Schedule II – Condensed Financial Information of Cigna Corporation (Registrant)

Balance Sheets

	As of December 31,	
(In millions)	2015	2014
ASSETS:		
Cash and cash equivalents	$ 16	$ 51
Short term investments	54	—
Investments in subsidiaries	18,799	17,645
Intercompany	182	74
Other assets	497	526
TOTAL ASSETS	$ 19,548	$ 18,296
LIABILITIES:		
Intercompany	$ 1,086	$ 1,138
Short-term debt	100	100
Long-term debt	4,910	4,858
Other liabilities	1,417	1,426
TOTAL LIABILITIES	7,513	7,522
SHAREHOLDERS' EQUITY:		
Common stock (shares issued, 296; authorized, 600)	74	74
Additional paid-in capital	2,859	2,769
Accumulated other comprehensive loss	(1,250)	(936)
Retained earnings	12,121	10,289
Less treasury stock, at cost	(1,769)	(1,422)
TOTAL SHAREHOLDERS' EQUITY	12,035	10,774
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 19,548	$ 18,296

See Notes to Financial Statements on the following pages

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ITEM 15 Exhibits and Financial Statement Schedules

Cigna Corporation and Subsidiaries
Schedule II – Condensed Financial Information of Cigna Corporation (Registrant)

Statements of Cash Flows

(In millions)	For the years ended December 31, 2015	2014	2013
Cash Flows from Operating Activities:			
Shareholders' Net Income	$ 2,094	$ 2,102	$ 1,476
Adjustments to reconcile shareholders' net income to net cash provided by operating activities:			
Equity in income of subsidiaries	(2,454)	(2,358)	(1,702)
Dividends received from subsidiaries	880	1,648	506
Other liabilities	112	(73)	(245)
Loss on early extinguishment of debt	100	–	–
Other, net	33	173	63
Net cash provided by operating activities	765	1,492	98
Cash Flows from Investing Activities:			
Short term investment purchased	(54)	–	–
Other, net	(14)	11	–
Net cash provided by / (used in) investing activities	(68)	11	–
Cash Flows from Financing Activities:			
Net change in amounts due to / from affiliates	(161)	61	751
Net change in short-term debt	–	–	(100)
Net proceeds on issuance of long-term debt	894	–	–
Repayment of long-term debt	(938)	–	–
Issuance of common stock	154	110	150
Common dividends paid	(10)	(11)	(11)
Repurchase of common stock	(671)	(1,612)	(1,003)
Net cash used in financing activities	(732)	(1,452)	(213)
Net increase (decrease) in cash and cash equivalents	(35)	51	(115)
Cash and cash equivalents, beginning of year	51	–	115
Cash and cash equivalents, end of year	$ 16	$ 51	$ –

See Notes to Financial Statements on the following pages.

Cigna Corporation and Subsidiaries
Schedule II – Condensed Financial Information of Cigna Corporation (Registrant)

Notes to Condensed Financial Statements

The accompanying condensed financial statements should be read in conjunction with the Consolidated Financial Statements and the accompanying notes thereto contained in this Form 10-K.

Note 1 – For purposes of these condensed financial statements, Cigna Corporation's (the "Company") wholly-owned and majority-owned subsidiaries are recorded using the equity basis of accounting

In fourth quarter 2015, the Company implemented the Financial Accounting Standards Board's amended guidance to simplify the presentation of debt issuance costs (Accounting Standards Update ("ASU") 2015-03) by reclassifying debt issuance costs from other assets to long-term debt Amounts reported as of December 31, 2014 have been retrospectively adjusted. The effect was not material to either caption

Note 2 – Short-term and long-term debt consisted of the following at December 31

(In millions)	December 31, 2015	December 31, 2014[1]
Short-term:		
Commercial Paper	$ 100	$ 100
TOTAL SHORT-TERM DEBT	$ 100	$ 100
Long-term:		
Uncollateralized debt:		
$600 million, 2.75% Notes due 2016	$ —	$ 598
$250 million, 5 375% Notes due 2017	249	249
$131 million, 6 35% Notes due 2018	131	131
$251 million, 8 5% Notes due 2019	—	250
$250 million, 4 375% Notes due 2020[2]	254	253
$300 million, 5 125% Notes due 2020[2]	303	302
$300 million, 4 5% Notes due 2021[2]	304	301
$750 million, 4% Notes due 2022	743	741
$100 million, 7 65% Notes due 2023	100	100
$17 million, 8 3% Notes due 2023	17	17
$900 million, 3 25% Notes due 2025	892	—
$300 million, 7 875% Debentures due 2027	299	298
$83 million, 8 3% Step Down Notes due 2033	82	82
$500 million, 6 15% Notes due 2036	498	498
$300 million, 5 875% Notes due 2041	295	295
$750 million, 5 375% Notes due 2042	743	743
TOTAL LONG-TERM DEBT	$ 4,910	$ 4,858

(1) As explained in Note 1, in the fourth quarter of 2015, the Company retrospectively adopted ASU 2015-03 that requires debt issuance costs to be netted against the carrying value of the debt. The impact on 2014 balances was not material.

(2) In 2014, the Company entered into interest rate swap contracts hedging a portion of these fixed-rate debt instruments

On March 11, 2015, the Company issued $900 million of 10-Year Notes due April 15, 2025 at a stated interest rate of 3 25% ($892 million, net of discount and issuance costs, with an effective annual interest rate of 3 36%) Interest is payable on April 15 and October 15 of each year beginning October 15, 2015 The proceeds of this debt were used to repay debt maturing in 2016 and in 2019 as described below

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The Company may redeem the newly issued Notes, at any time, in whole or in part, at a redemption price equal to the greater of:

- 100% of the principal amount of the Notes to be redeemed; or
- the present value of the remaining principal and interest payments on the Notes being redeemed discounted at the applicable Treasury rate plus 17 5 basis points

The following debt transactions occurred in April 2015:

- The Company redeemed its 2 75% Notes due 2016, including accrued interest from November 15, 2014 through the settlement date of April 13, 2015 The redemption price equaled the present value of the remaining principal and interest payments on the Notes being redeemed, discounted at a rate equal to the 10-year Treasury Rate plus a fixed spread of 30 basis points The Company paid $626 million including accrued interest and expenses, resulting in a pre-tax loss on early debt extinguishment of $21 million ($14 million after-tax) that was recognized in the second quarter of 2015
- The Company redeemed its 8 50% Notes due 2019, including accrued interest from November 1, 2014 through the settlement date of April 13, 2015. The redemption price equaled the present value of the remaining principal and interest payments on the Notes being redeemed, discounted at a rate equal to the 10-year Treasury Rate plus a fixed spread of 50 basis points The Company paid $329 million including accrued interest and expenses, resulting in a pre-tax loss on early debt extinguishment of $79 million ($51 million after-tax) that was recognized in the second quarter of 2015

The company has a five-year revolving credit and letter of credit agreement for $1 5 billion that permits up to $500 million to be used for letters of credit This agreement extends through December 2019 and is diversified among 16 banks with three banks each having 12% of the commitment and the remainder spread among 13 banks. The credit agreement includes options to increase the commitment amount to $2 billion and to extend the term past December 2019, subject to consent by the administrative agent and the committing banks. The credit agreement is available for general corporate purposes including for the issuance of letters of credit The credit agreement contains customary covenants and restrictions, including a financial covenant that the Company may not permit its leverage ratio to be greater than 0 50 The leverage ratio is total consolidated debt to total consolidated capitalization (each as defined in the credit agreement) and excludes net unrealized appreciation in fixed maturities and the portion of the post-retirement benefits liability adjustment attributable to pension that is included in accumulated other comprehensive loss on the Company's consolidated balance sheet

The Company had $7 9 billion of borrowing capacity within the maximum debt coverage covenant in the letter of credit agreement, in addition to the $5 billion of debt outstanding as of December 31, 2015 This additional borrowing capacity includes the $1 5 billion available under the credit agreement Letters of credit outstanding as of December 31, 2015 totaled $19 million

The Company was in compliance with its debt covenants as of December 31, 2015

Maturities of long-term debt are as follows (in millions): none in 2016, $250 in 2017, $131 in 2018, none in 2019, $550 in 2020 and the remainder in years after 2020 Interest expense on long-term and short-term debt was $246 million in 2015, $252 million in 2014, and $259 million in 2013. The 2015 expense excludes losses on the early extinguishment of debt

Note 3 – Intercompany liabilities consist primarily of loans payable to Cigna Holdings, Inc. of $875 million as of December 31, 2015 and $877 million as of December 31, 2014 Interest was accrued at an average monthly rate of 0 60% for 2015 and 0 52% for 2014

Note 4 – As of December 31, 2015, the Company had guarantees and similar agreements in place to secure payment obligations or solvency requirements of certain wholly-owned subsidiaries as follows:

- Various indirect, wholly-owned subsidiaries have obtained surety bonds in the normal course of business If there is a claim on a surety bond and the subsidiary is unable to pay, the Company guarantees payment to the company issuing the surety bond The aggregate amount of such surety bonds as of December 31, 2015 was $77 million.
- The Company is obligated under a $6 million letter of credit required by the insurer of its high-deductible self-insurance programs to indemnify the insurer for claim liabilities that fall within deductible amounts for policy years dating back to 1994
- The Company also provides solvency guarantees aggregating $34 million under state and federal regulations in support of its indirect wholly-owned medical HMOs in several states
- The Company has arranged a $13 million letter of credit in support of Cigna Europe Insurance Company, an indirect wholly-owned subsidiary The Company has agreed to indemnify the banks providing the letters of credit in the event of any draw Cigna Europe Insurance Company is the holder of the letters of credit.
- The Company has agreed to indemnify payment of losses included in Cigna Europe Insurance Company's reserves on the assumed reinsurance business transferred from ACE As of December 31, 2015, the reserve was $16 million
- The Company guarantees the payment of up to $10 million for certain expenses of an indirect wholly-owned subsidiary operating as a Professional Employer Organization in the State of Kansas
- The Company operates a global notional currency pool in support of certain foreign subsidiaries and provides a guarantee of borrowing by subsidiaries from the notional pool The aggregate amount of such borrowing at December 31, 2015 was $20 million

In 2015, no payments have been made on these guarantees and none are pending The Company provided other guarantees to subsidiaries that, in the aggregate, do not represent a material risk to the Company's results of operations, liquidity or financial condition

Cigna Corporation and Subsidiaries
Schedule III – Supplementary Insurance Information

(In millions) Segment	Deferred policy acquisition costs	Future policy benefits and contractholder deposit funds	Medical claims payable and unpaid claims	Unearned premiums
Year Ended December 31, 2015:				
Global Health Care	$ 11	$ 169	$ 2,355	$ 145
Global Supplemental Benefits	1,593	3,006	353	453
Group Disability and Life	1	1,714	4,012	13
Other Operations	54	13,033	215	18
Corporate	–	–	(6)	–
TOTAL	$ 1,659	$ 17,922	$ 6,929	$ 629
Year Ended December 31, 2014:				
Global Health Care	$ 17	$ 182	$ 2,180	$ 155
Global Supplemental Benefits	1,437	2,785	339	431
Group Disability and Life	1	1,662	3,844	15
Other Operations	47	13,443	222	20
Corporate	–	–	(5)	–
TOTAL	$ 1,502	$ 18,072	$ 6,580	$ 621
Year Ended December 31, 2013:				
Global Health Care	$ 20	$ 197	$ 2,050	$ 116
Global Supplemental Benefits	1,323	2,525	305	419
Group Disability and Life	1	1,615	3,739	23
Other Operations	51	13,439	260	22
Corporate	–	–	(6)	–
TOTAL	$ 1,395	$ 17,776	$ 6,348	$ 580

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		Premiums (1)		Net investment income (2)		Benefit expenses (1)(3)		Amortization of deferred policy acquisition expenses		Other operating expenses (4)
Year Ended December 31, 2015										
Global Health Care	$	22,696	$	340	$	18,354	$	53	$	8,621
Global Supplemental Benefits		3,000		103		1,659		227		963
Group Disability and Life		3,843		337		2,934		1		861
Other Operations		103		369		343		5		26
Corporate				4		–		–		502
TOTAL	$	29,642	$	1,153	$	23,290	$	286	$	10,973
Year Ended December 31, 2014										
Global Health Care	$	20,709	$	337	$	16,694	$	73	$	7,843
Global Supplemental Benefits		2,844		109		1,544		209		981
Group Disability and Life		3,549		335		2,716		1		796
Other Operations		112		384		380		6		27
Corporate		–		1		–		–		340
TOTAL	$	27,214	$	1,166	$	21,334	$	289	$	9,987
Year Ended December 31, 2013										
Global Health Care	$	19,626	$	325	$	15,867	$	69	$	7,021
Global Supplemental Benefits		2,496		100		1,310		178		924
Group Disability and Life		3,348		321		2,621		1		765
Other Operations		105		408		1,067		7		46
Corporate		–		10		–		–		328
TOTAL	$	25,575	$	1,164	$	20,865	$	255	$	9,084

(1) *Amounts presented are shown net of the effects of reinsurance. See Note 7 to the Consolidated Financial Statements included in this Form 10-K.*

(2) *The allocation of net investment income is based upon the investment year method, the identification of certain portfolios with specific segments, or a combination of both.*

(3) *Benefit expenses include Global Health Care medical costs and other benefit expenses.*

(4) *Other operating expenses includes mail order pharmacy costs, other operating expenses, and net amortization of other intangible assets. It excludes amortization of deferred policy acquisition expenses*

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Cigna Corporation and Subsidiaries
Schedule IV – Reinsurance

(In millions)		Gross amount		Ceded to other companies		Assumed from other companies		Net amount	Percentage of amount assumed to net
Year Ended December 31, 2015:									
Life insurance in force		1,047,982		72,208		3,273		979,047	0.3%
Premiums:									
Life insurance and annuities	$	2,886	$	335	$	106	$	2,657	4.0%
Accident and health insurance		26,926		235		294		26,985	1.1%
TOTAL	$	29,812	$	570	$	400	$	29,642	1.3%
Year Ended December 31, 2014:									
Life insurance in force		879,508		58,133		3,180		824,555	0.4%
Premiums:									
Life insurance and annuities	$	2,302	$	320	$	32	$	2,014	1.6%
Accident and health insurance		24,913		283		570		25,200	2.3%
TOTAL	$	27,215	$	603	$	602	$	27,214	2.2%
Year Ended December 31, 2013									
Life insurance in force		781,053		59,003		3,459		725,509	0.5%
Premiums:									
Life insurance and annuities	$	2,140	$	279	$	28	$	1,889	1.5%
Accident and health insurance		23,401		264		549		23,686	2.3%
TOTAL	$	25,541	$	543	$	577	$	25,575	2.3%

Cigna Corporation and Subsidiaries
Schedule V – Valuation and Qualifying Accounts and Reserves

(In millions) Description	Balance at beginning of year	Charged (Credited) to costs and expenses	Charged (Credited) to other accounts	Other deductions[(1)]	Balance at end of year
2015:					
Investment asset valuation reserves: Commercial mortgage loans	$ 12	$ 7	$ –	$ (4)	$ 15
Allowance for doubtful accounts: Premiums, accounts and notes receivable	$ 101	$ (10)	$ (15)	$ (1)	$ 75
Deferred tax asset valuation allowance	$ 49	$ 8	$ 14	$ –	$ 71
Reinsurance recoverables	$ 4	$ –	$ (1)	$ –	$ 3
2014:					
Investment asset valuation reserves: Commercial mortgage loans	$ 8	$ 4	$ -	$ –	$ 12
Allowance for doubtful accounts: Premiums, accounts and notes receivable	$ 43	$ 53	$ 5	$ –	$ 101
Deferred tax asset valuation allowance	$ 49	$ 21	$ (21)	$ –	$ 49
Reinsurance recoverables	$ 4	$ –	$ -	$ –	$ 4
2013:					
Investment asset valuation reserves: Commercial mortgage loans	$ 7	$ 4	$ –	$ (3)	$ 8
Allowance for doubtful accounts: Premiums, accounts and notes receivable	$ 51	$ –	$ (2)	$ (6)	$ 43
Deferred tax asset valuation allowance	$ 42	$ 7	$ –	$ –	$ 49
Reinsurance recoverables	$ 4	$ –	$ –	$ –	$ 4

(1) *Amounts for commercial mortgage loans primarily reflect charge-offs upon sales and repayments, as well as transfers to foreclosed real estate.*

Index to Exhibits

Number		Description	Method of Filing
2 1		Agreement and Plan of Merger dated as of July 23, 2015 by and among Cigna Corporation, Anthem Inc., and Anthem Merger Sub Corp.	Filed as Exhibit 2 1 to the registrant's 8-K filed on July 27, 2015 and incorporated herein by reference
3 1		Restated Certificate of Incorporation of the registrant as last amended October 28, 2011	Filed as Exhibit 3 1 to the registrant's Form 10-Q for the quarterly period ended September 30, 2011 and incorporated herein by reference.
3 2		By-Laws of the registrant as last amended and restated December 6, 2012	Filed as Exhibit 3.2 to the registrant's Form 10-K for the year ended December 31, 2012 and incorporated herein by reference
4 1	(a)	Indenture dated August 16, 2006 between Cigna Corporation and U S Bank National Association	Filed as Exhibit 4 1(a) to the registrant's Form 10-K for the year ended December 31, 2012 and incorporated herein by reference
	(b)	Supplemental Indenture No 1 dated November 10, 2006 between Cigna Corporation and U S Bank National Association	Filed as Exhibit 4 1(b) to the registrant's Form 10-K for the year ended December 31, 2012 and incorporated herein by reference.
	(c)	Supplemental Indenture No 2 dated March 15, 2007 between Cigna Corporation and U S Bank National Association	Filed as Exhibit 4 1(c) to the registrant's Form 10-Q for the quarterly period ended March 31, 2011 and incorporated herein by reference.
	(d)	Supplemental Indenture No 3 dated March 7, 2008 between Cigna Corporation and U S. Bank National Association	Filed as Exhibit 4 1 to the registrant's Form 8-K on March 10, 2008 and incorporated herein by reference
	(f)	Supplemental Indenture No 5 dated May 17, 2010 between Cigna Corporation and U S Bank National Association	Filed as Exhibit 99 2 to the registrant's Form 8-K on May 28, 2010 and incorporated herein by reference
	(g)	Supplemental Indenture No 6 dated December 8, 2010 between Cigna Corporation and U S Bank National Association	Filed as Exhibit 99.2 to the registrant's Form 8-K on December 9, 2010 and incorporated herein by reference
	(h)	Supplemental Indenture No. 7 dated March 7, 2011 between Cigna Corporation and U S Bank National Association	Filed as Exhibit 99 2 to the registrant's Form 8-K on March 8, 2011 and incorporated herein by reference
	(i)	Supplemental Indenture No 8 dated November 10, 2011 between Cigna Corporation and U S Bank National Associated	Filed as Exhibit 4.1 to the registrant's Form 8-K on November 14, 2011 and incorporated herein by reference
	(j)	Supplemental Indenture No 9 dated as of March 20, 2015, between Cigna Corporation and U.S Bank National Association, as trustee	Filed as Exhibit 4.1 to the registrant's Form 8-K on March 26, 2015 and incorporated herein by reference
4 2		Indenture dated January 1, 1994 between Cigna Corporation and Marine Midland Bank	Filed as Exhibit 4.2 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference
4 3		Indenture dated June 30, 1988 between Cigna Corporation and Bankers Trust	Filed as Exhibit 4 3 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference
Exhibits 10 1 through 10 31 are identified as compensatory plans, management contracts or arrangements pursuant to Item 15 of Form 10-K.			
10 1		Deferred Compensation Plan for Directors of Cigna Corporation, as amended and restated January 1, 1997	Filed as Exhibit 10 1 to the registrant's Form 10-K for the year ended December 31, 2011 and incorporated herein by reference
10 2		Deferred Compensation Plan of 2005 for Directors of Cigna Corporation, Amended and Restated effective April 28, 2010	Filed as Exhibit 10.2 to the registrant's Form 10-K for the year ended December 31, 2010 and incorporated herein by reference
10 3		Cigna Corporation Non-Employee Director Compensation Program amended and restated effective February 26, 2014	Filed as Exhibit 10.1 to the registrant's Form 10-Q for the quarterly period ended March 31, 2014 and incorporated herein by reference
10 4		Cigna Restricted Share Equivalent Plan for Non-Employee Directors as amended and restated effective January 1, 2008	Filed as Exhibit 10.4 to the registrant's Form 10-K for the year ended December 31, 2012 and incorporated herein by reference
10 5		Cigna Corporation Director Equity Plan	Filed as Exhibit 10.3 to the registrant's Form 10-Q for the quarterly period ended March 31, 2010 and incorporated herein by reference
10 6		Cigna Corporation Stock Plan, as amended and restated through July 2000	Filed as Exhibit 10 7 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference
10 7	(a)	Cigna Stock Unit Plan, as amended and restated effective July 22, 2008	Filed as Exhibit 10 1 to the registrant's Form 10-Q for the quarterly period ended September 30, 2008 and incorporated herein by reference.
	(b)	Amendment No 1 to the Cigna Stock Unit Plan, as amended and restated effective July 22, 2008	Filed as Exhibit 10 3 to the registrant's Form 10-Q for the quarterly period ended June 30, 2010 and incorporated herein by reference
10 8		Cigna Executive Severance Benefits Plan as amended and restated effective April 27, 2010	Filed as Exhibit 10 2 to the registrant's Form 10-Q for the quarterly period ended June 30, 2010 and incorporated herein by reference
10 9		Description of Severance Benefits for Executives in Non-Change of Control Circumstances	Filed as Exhibit 10 10 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
10 10		Cigna Executive Incentive Plan amended and restated as of January 1, 2012	Filed as Exhibit 10 1 to the registrant's Form 10-Q for the quarterly period ended March 31, 2012 and incorporated herein by reference
10 11	(a)	Cigna Long-Term Incentive Plan as amended and restated effective as of April 28, 2010	Filed as Exhibit 10 2 to the registrant's Form 10-Q for the quarterly period ended March 31, 2010 and incorporated herein by reference
	(b)	Amendment No 1 to the Cigna Long-Term Incentive Plan as amended and restated effective as of April 28, 2010	Filed as Exhibit 10 1 to the registrant's Form 10-Q for the quarterly period ended June 30, 2010 and incorporated herein by reference
	(c)	Amendment No 2 to the Cigna Long-Term Incentive Plan as amended and restated effective as of April 28, 2010	Filed as Exhibit 10 1 to the registrant's Form 10-Q for the quarterly period ended March 31, 2011 and incorporated herein by reference

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Number		Description	Method of Filing
10 12		Cigna Deferred Compensation Plan, as amended and restated October 24, 2001	Filed as Exhibit 10 14 to the registrant's Form 10-K for the year ended December 31, 2011 and incorporated herein by reference
10 13		Cigna Deferred Compensation Plan of 2005 effective as of January 1, 2005	Filed as Exhibit 10 15 to the registrant's Form 10-K for the year ended December 31, 2012 and incorporated herein by reference
10 14	(a)	Cigna Supplemental Pension Plan as amended and restated effective August 1, 1998	Filed as Exhibit 10.15(a) to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference
	(b)	Amendment No 1 to the Cigna Supplemental Pension Plan, amended and restated effective as of September 1, 1999	Filed as Exhibit 10 15(b) to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference
	(c)	Amendment No 2 dated December 6, 2000 to the Cigna Supplemental Pension	Filed as Exhibit 10 16(c) to the registrant's Form 10-K for the year ended December 31, 2011 and incorporated herein by reference
10 15	(a)	Cigna Supplemental Pension Plan of 2005 effective as of January 1, 2005	Filed as Exhibit 10 15 to the registrant's Form 10-K for the year ended December 31, 2007 and incorporated herein by reference
	(b)	Amendment No 1 to the Cigna Supplemental Pension Plan of 2005	Filed as Exhibit 10 1 to the registrant's Form 10-Q for the quarterly period ended June 30, 2009 and incorporated herein by reference
10.16		Cigna Supplemental 401(k) Plan effective January 1, 2010	Filed as Exhibit 10 17 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference
10 17		Description of Cigna Corporation Financial Services Program	Filed as Exhibit 10 18 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference
10 18		Form of Cigna Long-Term Incentive Plan: Strategic Performance Share Grant Agreement	Filed as Exhibit 10 2 to the registrant's Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference
10 19		Form of Cigna Long-Term Incentive Plan: Nonqualified Stock Option Grant Agreement	Filed as Exhibit 10 3 to the registrant's Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference
10 20		Form of Cigna Long-Term Incentive Plan: Restricted Stock Grant Agreement	Filed as Exhibit 10 4 to the registrant's Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference
10 21		Form of Cigna Long-Term Incentive Plan: Restricted Stock Unit Grant Agreement	Filed as Exhibit 10 5 to the registrant's Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference
10 22		Schedule regarding Amended Deferred Stock Unit Agreements effective December 31, 2008 with John M. Murabito and Form of Amended Deferred Stock Unit Agreement	Filed as Exhibit 10 20 to the registrant's Form 10-K for the year ended December 31, 2008 and incorporated herein by reference
10 23		Nicole Jones' Offer of Employment dated April 27, 2011	Filed as Exhibit 10 2 to the registrant's Form 10-Q for the period ended March 31, 2012 and incorporated herein by reference
10 24		Matthew Manders' Promotion Letter dated June 2, 2014	Filed as Exhibit 10 1 to the registrant's Form 8-K filed on June 4, 2014 and incorporated herein by reference
10 25		Thomas A. McCarthy's Offer Letter dated May 9, 2013	Filed as Exhibit 10 1 to the registrant's Form 8-K filed on May 13, 2013 and incorporated herein by reference
10 26	(a)	Retention Agreement with Herbert Fritch dated October 24, 2011	Filed as Exhibit 10 1 to the registrant's Form 10-Q for the period ended March 31, 2013 and incorporated herein by reference
	(b)	Agreement dated December 7, 2011 with Herbert Fritch	Filed as Exhibit 10 2 to the registrant's Form 10-Q for the period ended March 31, 2013 and incorporated herein by reference.
	(c)	Retention Agreement with Herbert Fritch dated September 15, 2014	Filed as Exhibit 10 1 to the registrant's Form 8-K filed on September 19, 2014 and incorporated herein by reference
10 27		HealthSpring, Inc Amended and Restated 2006 Equity Incentive Plan (the "HealthSpring Equity Incentive Plan")	Filed as Exhibit 10 3 to the registrant's Form 10-Q for the period ended March 31, 2013 and incorporated herein by reference
10.28		HealthSpring Equity Incentive Plan: Form of Restricted Share Award	Filed as Exhibit 10 4 to the registrant's Form 10-Q for the period ended March 31, 2013 and incorporated herein by reference
10 29		HealthSpring Equity Incentive Plan: Form of Non-Qualified Stock Option Agreement	Filed as Exhibit 10 5 to the registrant's Form 10-Q for the period ended March 31, 2013 and incorporated herein by reference
10 30		Employment Agreement for Jason D Sadler dated May 7, 2010	Filed as Exhibit 10 1(a) to the registrant's Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference.
10 31		Promotion letter for Jason Sadler dated June 2, 2014	Filed as Exhibit 10 1(b) to the registrant's Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference
10 32		Master Transaction Agreement, dated February 4, 2013 among Connecticut General Life Insurance Company, Berkshire Hathaway Life Insurance Company of Nebraska and, solely for purposes of Sections 3 10, 6.1, 6 3, 6 4, 6 6, 6 9 and Articles II, V, VII, and VIII, thereof, National Indemnity Company (including the Forms of Retrocession Agreement, the Collateral Trust Agreement, the Security and Control Agreement, the Surety Policy and the ALC Model Purchase Option Agreement as exhibits)	Filed as Exhibit 10 29 to the registrant's Form 10-K for the year ended December 31, 2012 and incorporated herein by reference
12		Computation of Ratios of Earnings to Fixed Charges	Filed herewith
21		Subsidiaries of the Registrant	Filed herewith
23		Consent of Independent Registered Public Accounting Firm	Filed herewith
31 1		Certification of Chief Executive Officer of Cigna Corporation pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934	Filed herewith
31 2		Certification of Chief Financial Officer of Cigna Corporation pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934	Filed herewith

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Number	Description	Method of Filing
32 1	Certification of Chief Executive Officer of Cigna Corporation pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U S C Section 1350	Furnished herewith
32.2	Certification of Chief Financial Officer of Cigna Corporation pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U S C Section 1350	Furnished herewith
101	The following materials from Cigna Corporation's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Total Equity; (vi) the Notes to Consolidated Financial Statements and (vii) Financial Statement Schedules I, II, III, IV and V	Filed herewith

* *Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted schedule upon request*

The registrant will furnish to the Commission upon request of any other instruments defining the rights of holders of long-term debt.

Shareholders may obtain copies of exhibits by writing to Cigna Corporation, Shareholder Services Department, 1601 Chestnut Street, Philadelphia, PA 19192