UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from _____ to _____

Commission file number 1-38769

Cigna Corporation
(Exact name of registrant as specified in its charter)

Delaware	**82-4991898**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

900 Cottage Grove Road
Bloomfield, Connecticut 06002
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(860) 226-6000**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $0.01	CI	New York Stock Exchange, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No _

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No _

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes _

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of July 30, 2021, 340,107,539 shares of the issuer's common stock were outstanding.

Cigna Corporation

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

Part I. ***FINANCIAL INFORMATION***

Item 1. ***FINANCIAL STATEMENTS***

Cigna Corporation
Consolidated Statements of Income

	Unaudited Three Months Ended June 30,		Unaudited Six Months Ended June 30,	
(In millions, except per share amounts)	**2021**	**2020**	**2021**	**2020**
Revenues				
Pharmacy revenues	**$ 30,047**	$ 26,564	**$ 58,072**	$ 51,662
Premiums	**10,323**	10,406	**20,537**	21,246
Fees and other revenues	**2,451**	2,072	**4,792**	4,250
Net investment income	**310**	223	**701**	576
TOTAL REVENUES	**43,131**	39,265	**84,102**	77,734
Benefits and expenses				
Pharmacy and other service costs	**29,001**	25,611	**56,236**	49,801
Medical costs and other benefit expenses	**8,484**	7,112	**16,489**	15,434
Selling, general and administrative expenses	**2,996**	3,407	**6,275**	6,805
Amortization of acquired intangible assets	**503**	496	**998**	994
TOTAL BENEFITS AND EXPENSES	**40,984**	36,626	**79,998**	73,034
Income from operations	**2,147**	2,639	**4,104**	4,700
Interest expense and other	**(298)**	(374)	**(612)**	(765)
Debt extinguishment costs	**(10)**	(14)	**(141)**	(199)
Net realized investment gains (losses)	**59**	38	**60**	(50)
Income before income taxes	**1,898**	2,289	**3,411**	3,686
TOTAL INCOME TAXES	**422**	529	**764**	737
Net income	**1,476**	1,760	**2,647**	2,949
Less: Net income attributable to noncontrolling interests	**9**	6	**19**	14
SHAREHOLDERS' NET INCOME	**$ 1,467**	$ 1,754	**$ 2,628**	$ 2,935
Shareholders' net income per share				
Basic	**$ 4.30**	$ 4.77	**$ 7.62**	$ 7.96
Diluted	**$ 4.25**	$ 4.73	**$ 7.54**	$ 7.88

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

Cigna Corporation
Consolidated Statements of Comprehensive Income

(In millions)	Unaudited Three Months Ended June 30, 2021	2020	Unaudited Six Months Ended June 30, 2021	2020
Net income	**$ 1,476**	$ 1,760	**$ 2,647**	$ 2,949
Other comprehensive income (loss), net of tax				
Net unrealized appreciation (depreciation) on securities and derivatives	**122**	709	**(151)**	281
Net translation gains (losses) on foreign currencies	**16**	70	**(103)**	(105)
Postretirement benefits liability adjustment	**15**	(42)	**33**	(29)
Other comprehensive income (loss), net of tax	**153**	737	**(221)**	147
Total comprehensive income	**1,629**	2,497	**2,426**	3,096
Comprehensive income (loss) attributable to noncontrolling interests				
Net income attributable to redeemable noncontrolling interest	**3**	4	**8**	8
Net income attributable to other noncontrolling interests	**6**	2	**11**	6
Other comprehensive (loss) attributable to redeemable noncontrolling interest	**(1)**	(2)	**(5)**	(6)
Total comprehensive income attributable to noncontrolling interests	**8**	4	**14**	8
SHAREHOLDERS' COMPREHENSIVE INCOME	**$ 1,621**	$ 2,493	**$ 2,412**	$ 3,088

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

Cigna Corporation
Consolidated Balance Sheets

(In millions)	Unaudited As of June 30, 2021	As of December 31, 2020
Assets		
Cash and cash equivalents	**$ 3,821**	$ 10,182
Investments	**1,305**	1,331
Accounts receivable, net	**15,462**	12,191
Inventories	**3,042**	3,165
Other current assets	**1,381**	930
Total current assets	**25,011**	27,799
Long-term investments	**23,622**	23,262
Reinsurance recoverables	**5,114**	5,200
Deferred policy acquisition costs	**3,397**	3,385
Property and equipment	**4,078**	4,205
Goodwill	**46,063**	44,648
Other intangible assets	**35,007**	35,179
Other assets	**2,654**	2,687
Separate account assets	**9,261**	9,086
TOTAL ASSETS	**$ 154,207**	$ 155,451
Liabilities		
Current insurance and contractholder liabilities	**$ 5,850**	$ 5,308
Pharmacy and other service costs payable	**14,470**	13,347
Accounts payable	**5,647**	5,478
Accrued expenses and other liabilities	**7,212**	8,515
Short-term debt	**1,532**	3,374
Total current liabilities	**34,711**	36,022
Non-current insurance and contractholder liabilities	**16,665**	16,844
Deferred tax liabilities, net	**8,867**	8,939
Other non-current liabilities	**4,330**	4,629
Long-term debt	**31,606**	29,545
Separate account liabilities	**9,261**	9,086
TOTAL LIABILITIES	**105,440**	105,065
Contingencies — Note 15		
Redeemable noncontrolling interests	**51**	58
Shareholders' equity		
Common stock [(1)]	**4**	4
Additional paid-in capital	**29,403**	28,975
Accumulated other comprehensive loss	**(1,077)**	(861)
Retained earnings	**30,513**	28,575
Less: Treasury stock, at cost	**(10,134)**	(6,372)
TOTAL SHAREHOLDERS' EQUITY	**48,709**	50,321
Other noncontrolling interests	**7**	7
Total equity	**48,716**	50,328
Total liabilities and equity	**$ 154,207**	$ 155,451

(1) Par value per share, $0.01; shares issued, 394 million as of June 30, 2021 and 390 million as of December 31, 2020; authorized shares, 600 million.

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

Cigna Corporation

Consolidated Statements of Changes in Total Equity

Unaudited

Three Months Ended June 30, 2021

(In millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss)	Retained Earnings	Treasury Stock	Shareholders' Equity	Other Non-controlling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at March 31, 2021	**$ 4**	**$ 29,254**	**$ (1,231)**	**$ 29,389**	**$ (9,267)**	**$ 48,149**	**$ 6**	**$ 48,155**	**$ 59**
Effects of issuing stock for employee benefits plans		**152**			**(2)**	**150**		**150**	
Other comprehensive income (loss)			**154**			**154**		**154**	**(1)**
Net income				**1,467**		**1,467**	**6**	**1,473**	**3**
Common dividends declared (per share: $1.00)				**(343)**		**(343)**		**(343)**	
Repurchase of common stock					**(865)**	**(865)**		**(865)**	
Other transactions impacting noncontrolling interests		**(3)**				**(3)**	**(5)**	**(8)**	**(10)**
Balance at June 30, 2021	**$ 4**	**$ 29,403**	**$ (1,077)**	**$ 30,513**	**$ (10,134)**	**$ 48,709**	**$ 7**	**$ 48,716**	**$ 51**

Three Months Ended June 30, 2020

(In millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss)	Retained Earnings	Treasury Stock	Shareholders' Equity	Other Non-controlling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at March 31, 2020	$ 4	$ 28,554	$ (1,527)	$ 21,298	$ (3,250)	$ 45,079	$ 7	$ 45,086	$ 35
Effect of issuing stock for employee benefit plans		145			(6)	139		139	
Other comprehensive income (loss)			739			739		739	(2)
Net income				1,754		1,754	2	1,756	4
Repurchase of common stock					(345)	(345)		(345)	
Other transactions impacting noncontrolling interests							(4)	(4)	(3)
Balance at June 30, 2020	$ 4	$ 28,699	$ (788)	$ 23,052	$ (3,601)	$ 47,366	$ 5	$ 47,371	$ 34

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

Cigna Corporation

Consolidated Statements of Changes in Total Equity

Unaudited

Six Months Ended June 30, 2021

(In millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss)	Retained Earnings	Treasury Stock	Shareholders' Equity	Other Non-controlling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at December 31, 2020	**$ 4**	**$ 28,975**	**$ (861)**	**$ 28,575**	**$ (6,372)**	**$ 50,321**	**$ 7**	**$ 50,328**	**$ 58**
Effect of issuing stock for employee benefit plans		**431**			**(89)**	**342**		**342**	
Other comprehensive loss			**(216)**			**(216)**		**(216)**	**(5)**
Net income				**2,628**		**2,628**	**11**	**2,639**	**8**
Common dividends declared (per share: $2.00)				**(690)**		**(690)**		**(690)**	
Repurchase of common stock					**(3,673)**	**(3,673)**		**(3,673)**	
Other transactions impacting noncontrolling interests		**(3)**				**(3)**	**(11)**	**(14)**	**(10)**
Balance at June 30, 2021	**$ 4**	**$ 29,403**	**$ (1,077)**	**$ 30,513**	**$ (10,134)**	**$ 48,709**	**$ 7**	**$ 48,716**	**$ 51**

Six Months Ended June 30, 2020

(In millions)	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss)	Retained Earnings	Treasury Stock	Shareholders' Equity	Other Non-controlling Interests	Total Equity	Redeemable Noncontrolling Interests
Balance at December 31, 2019	$ 4	$ 28,306	$ (941)	$ 20,162	$ (2,193)	$ 45,338	$ 6	$ 45,344	$ 35
Cumulative effect of adopting new credit loss guidance (ASU 2016-13)				(30)		(30)		(30)	
Effect of issuing stock for employee benefit plans		393			(84)	309		309	
Other comprehensive income (loss)			153			153		153	(6)
Net income				2,935		2,935	6	2,941	8
Common dividends declared (per share: $0.04)				(15)		(15)		(15)	
Repurchase of common stock					(1,324)	(1,324)		(1,324)	
Other transactions impacting noncontrolling interests							(7)	(7)	(3)
Balance at June 30, 2020	$ 4	$ 28,699	$ (788)	$ 23,052	$ (3,601)	$ 47,366	$ 5	$ 47,371	$ 34

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

Cigna Corporation
Consolidated Statements of Cash Flows

(In millions)	Unaudited Six Months Ended June 30, 2021	2020
Cash Flows from Operating Activities		
Net income	**$ 2,647**	$ 2,949
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**1,446**	1,387
Realized investment (gains) losses, net	**(60)**	50
Deferred income tax (benefit)	**(80)**	(259)
Debt extinguishment costs	**141**	199
Net changes in assets and liabilities, net of non-operating effects:		
Accounts receivable	**(3,233)**	(2,121)
Inventories	**124**	(50)
Deferred policy acquisition costs	**(117)**	(177)
Reinsurance recoverable and Other assets	**(416)**	28
Insurance liabilities	**677**	483
Pharmacy and other service costs payable	**1,123**	1,655
Accounts payable and Accrued expenses and other liabilities	**(1,643)**	630
Other, net	**188**	387
NET CASH PROVIDED BY OPERATING ACTIVITIES	**797**	5,161
Cash Flows from Investing Activities		
Proceeds from investments sold:		
Debt securities and equity securities	**852**	1,638
Investment maturities and repayments:		
Debt securities and equity securities	**672**	765
Commercial mortgage loans	**96**	10
Other sales, maturities and repayments (primarily short-term and other long-term investments)	**897**	664
Investments purchased or originated:		
Debt securities and equity securities	**(1,999)**	(2,150)
Commercial mortgage loans	**(129)**	(13)
Other (primarily short-term and other long-term investments)	**(1,136)**	(934)
Property and equipment purchases, net	**(500)**	(523)
Acquisitions, net of cash acquired	**(1,836)**	—
Other, net	**59**	37
NET CASH (USED IN) INVESTING ACTIVITIES	**(3,024)**	(506)
Cash Flows from Financing Activities		
Deposits and interest credited to contractholder deposit funds	**96**	529
Withdrawals and benefit payments from contractholder deposit funds	**(96)**	(483)
Net change in short-term debt	**472**	445
Payments for debt extinguishment	**(136)**	(212)
Repayment of long-term debt	**(4,578)**	(4,798)
Net proceeds on issuance of long-term debt	**4,260**	3,465
Repurchase of common stock	**(3,710)**	(1,324)
Issuance of common stock	**290**	229
Common stock dividend paid	**(687)**	(15)
Other, net	**(24)**	34
NET CASH (USED IN) FINANCING ACTIVITIES	**(4,113)**	(2,130)
Effect of foreign currency rate changes on cash, cash equivalents and restricted cash	**(27)**	(15)
Net (decrease) increase in cash, cash equivalents and restricted cash	**(6,367)**	2,510
Cash, cash equivalents and restricted cash January 1, [1]	**10,245**	5,411
Cash, cash equivalents and restricted cash, June 30,	**3,878**	7,921
Cash reclassified to assets of business held for sale	**—**	(418)
Cash, cash equivalents and restricted cash June 30, per Consolidated Balance Sheets [2]	**$ 3,878**	$ 7,503
Supplemental Disclosure of Cash Information:		
Income taxes paid, net of refunds	**$ 1,473**	$ 190
Interest paid	**$ 639**	$ 743

(1) Includes $743 million reported in Assets of business held for sale as of January 1, 2020. See table below for Cash, cash equivalents and restricted cash reconciliation.
(2) See table below for Cash, cash equivalents and restricted cash reconciliation as of June 30, 2021 and 2020.

The following table provides a reconciliation of cash, cash equivalents and restricted cash and cash equivalents reported within the Consolidated Balance Sheets to the totals above:

	Unaudited As of June 30,	
(In millions)	**2021**	**2020**
Cash and cash equivalents	**$ 3,821**	$ 7,185
Restricted cash and cash equivalents, included in other long-term investments	**57**	318
Total cash, cash equivalents and restricted cash and cash equivalents	**$ 3,878**	$ 7,503

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

CIGNA CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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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 with a mission of helping those we serve improve their health, well-being and peace of mind by making health care simple, affordable and predictable. Our subsidiaries offer a differentiated set of pharmacy, medical, dental and related products and services.

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 United States and selected international markets. In addition to these ongoing operations, Cigna also has certain run-off operations.

The Company provides details of its reporting segments and recent changes below:

In connection with the sale of the U.S. Group Disability and Life business on December 31, 2020, the remainder of our operations previously referred to as "Group Disability and Other" in our 2020 Form 10-K is now referred to as "Other Operations". There were no changes to the underlying business included in this category. Our business that offers group voluntary products and services was not sold to New York Life Insurance Company ("New York Life") and results of this business are reported in the U.S. Medical segment.

In connection with the launch of Evernorth in the third quarter of 2020, two reporting segments were renamed. Health Services was renamed as Evernorth and Integrated Medical was renamed U.S. Medical. In addition, two of our operating segments were renamed: Commercial and Government were renamed U.S. Commercial and U.S. Government respectively. There were no changes to the underlying businesses reported in the segments.

Evernorth includes a broad range of coordinated and point solution health services capabilities, as well as those from partners across the health care system, in pharmacy solutions, benefits management solutions, care solutions and intelligence solutions, which are provided to health plans, employers, government organizations and health care providers.

U.S. Medical includes U.S. Commercial and U.S. Government businesses that provide comprehensive medical and coordinated solutions to clients and customers. U.S. Commercial products and services include medical, pharmacy, behavioral health, dental, vision, health advocacy programs and other products and services for insured and administrative services only ("ASO") clients. U.S. Government solutions include Medicare Advantage, Medicare Supplement and Medicare Part D plans for seniors, Medicaid plans and individual health insurance plans both on and off the public exchanges.

International Markets includes supplemental health, life and accident insurance products and health care coverage in our international markets, as well as health care benefits for globally mobile employees of multinational organizations.

The remainder of our business operations are reported in ***Other Operations,*** consisting of the following:

- ***Group Disability and Life***. Prior to the sale of the U.S. Group Disability and Life business on December 31, 2020, this segment provided group long-term and short-term disability, group life, accident, voluntary and specialty insurance products and related services.
- ***Corporate-Owned Life Insurance (“COLI”)*** offers permanent insurance contracts sold to corporations to provide coverage on the lives of certain employees for the purpose of financing employer-paid future benefit obligations.
- ***Run-off businesses:***
    - ***Reinsurance:*** predominantly comprised of guaranteed minimum death benefit (“GMDB”) and guaranteed minimum income benefit (“GMIB”) business effectively exited through reinsurance with Berkshire Hathaway Life Insurance Company of Nebraska (“Berkshire”) in 2013.
    - ***Settlement Annuity*** business in run-off.
    - ***Individual Life Insurance and Annuity and Retirement Benefits businesses:*** deferred gains from the sales of these businesses.

Corporate reflects amounts not allocated to operating segments, including net interest expense (defined as interest on corporate debt less net investment income on investments not supporting segment and other operations), certain litigation matters, expense associated with our frozen pension plans, charitable contributions, severance, certain overhead and project costs and intersegment eliminations for products and services sold between segments.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Consolidated Financial Statements include the accounts of Cigna Corporation and its consolidated 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 and receivable valuations, 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.

These interim Consolidated Financial Statements are unaudited but include all adjustments (including normal recurring adjustments) necessary, in the opinion of management, for a fair statement of financial position and results of operations for the periods reported. The interim Consolidated Financial Statements and Notes should be read in conjunction with the Consolidated Financial Statements and Notes included in the 2020 Annual Report on Form 10-K ("2020 Form 10-K"). The preparation of interim Consolidated Financial Statements necessarily relies heavily on estimates. This and other factors, including the seasonal nature of portions of the health care and related benefits business, competitive and other market conditions, as well as COVID-19 related impacts, call for caution in estimating full-year results based on interim results of operations.

Recent Accounting Pronouncements

The Company's 2020 Form 10-K includes discussion of significant recent accounting pronouncements that either have impacted our financial statements or may impact them in the future. There have been no updates to accounting guidance not yet adopted or recently issued accounting pronouncements that have occurred since the Company filed its 2020 Form 10-K. There were no new accounting standards adopted as of June 30, 2021 that had a material impact to our financial statements.

Note 3 – Accounts Receivable, Net

The following amounts were included within Accounts receivable, net:

(In millions)	**June 30, 2021**	**December 31, 2020**
Noninsurance customer receivables	**$ 6,620**	$ 5,534
Pharmaceutical manufacturers receivable	**6,123**	4,676
Insurance customer receivables	**2,429**	1,789
Other receivables	**290**	192
Total	**$ 15,462**	$ 12,191

These receivables are reported net of our allowances of $1.5 billion as of June 30, 2021 and $1.2 billion as of December 31, 2020. These allowances include contractual allowances for certain rebates receivable with pharmaceutical manufacturers and certain receivables from third-party payors, discounts and claims adjustments issued to customers in the form of client credits, an allowance for current expected credit losses and other non-credit adjustments.

The Company's allowance for current expected credit losses was $57 million as of June 30, 2021 and $65 million as of December 31, 2020.

Note 4 – Mergers, Acquisitions and Divestitures

A. Acquisition of MDLIVE

On April 19, 2021, Cigna acquired 97% of MDLIVE, Inc. ("MDLIVE"), a 24/7 virtual care platform. Combined with Cigna's previous held equity investment, Cigna now owns 100% of MDLIVE. As a result of the acquisition, Cigna recorded a realized gain on its existing equity investment. The acquisition of MDLIVE will enable Cigna's Evernorth segment to continue expanding access to virtual care and delivering a more affordable, convenient and connected care experience for consumers.

The purchase price of $2.0 billion consisted of cash consideration. In accordance with GAAP, the total consideration transferred has been allocated to the tangible and intangible net assets acquired based on management's preliminary estimates of their fair values and may change as additional information becomes available over the next several months. The estimated fair values of assets acquired and liabilities assumed as of the closing date were as follows:

(In millions)		
Goodwill	**$**	**1,437**
Acquired intangible assets		**627**
Tangible assets acquired net of liabilities assumed		**19**
Total consideration transferred		**2,083**
Less: Fair value to Cigna's previously held equity interest		**(55)**
Total purchase price	**$**	**2,028**

Most of the goodwill is assigned to the Evernorth segment ($1.3 billion), with the remainder assigned to the U.S. Medical segment. Goodwill is not deductible for federal income tax purposes. The acquired intangible assets primarily consist of customer relationships ($577 million) as well as internal-use software, provider networks and a trade name. The fair value of the customer relationships and the amortization period were determined using an income approach that relies heavily on projected future net cash flows including key assumptions for customer attrition, margins and discount rates. The customer relationship intangible asset is amortized over a period of 17 years on an accelerated basis, reflecting the pattern in which Cigna expects to receive the benefits of the related cash flows.

The results of MDLIVE have been included in the Company's Consolidated Financial Statements from the date of the acquisition. Revenues from MDLIVE and their results of operations were not material to Cigna's consolidated results of operations for the three or six months ended June 30, 2021. The pro forma effects of this acquisition for current and prior periods were not material to our consolidated results of operations.

B. Divestiture of U.S. Group Disability and Life business

On December 31, 2020, Cigna completed the sale of its U.S. Group Disability and Life business to New York Life Insurance Company for cash proceeds of $6.2 billion. The Company recognized a gain of $4.2 billion pre-tax ($3.2 billion after-tax), which included recognition of previously unrealized capital gains on investments sold.

C. Integration and Transaction-related Costs

In the first six months of 2021, the Company incurred costs related to the acquisition of MDLIVE, the terminated merger with Anthem, Inc. (“Anthem”) and the sale of the U.S. Group Disability and Life business. In the first six months of 2020, the Company incurred costs related to the acquisition and integration of Express Scripts Holding Company ("Express Scripts"), the terminated merger with Anthem, the sale of the U.S. Group Disability and Life insurance business and other transactions. These costs were $16 million pre-tax ($14 million after-tax) for the three months and $45 million pre-tax ($36 million after-tax) for the six months ended June 30, 2021, compared with $130 million pre-tax ($99 million after-tax) for the three months and $227 million pre-tax ($173 million after-tax) for the six months ended June 30, 2020. These costs consisted primarily of certain projects to integrate or separate the Company’s systems, products and services, fees for legal, advisory and other professional services and certain employment-related costs.

Note 5 – Earnings Per Share ("EPS")

Basic and diluted earnings per share were computed as follows:

	Three Months Ended					
	June 30, 2021			June 30, 2020		
(Shares in thousands, dollars in millions, except per share amounts)	**Basic**	**Effect of Dilution**	**Diluted**	**Basic**	**Effect of Dilution**	**Diluted**
Shareholders' net income	**$ 1,467**		**$ 1,467**	$ 1,754		$ 1,754
Shares:						
Weighted average	**341,479**		**341,479**	367,396		367,396
Common stock equivalents		**3,450**	**3,450**		3,301	3,301
Total shares	**341,479**	**3,450**	**344,929**	367,396	3,301	370,697
EPS	**$ 4.30**	**$ (0.05)**	**$ 4.25**	$ 4.77	$ (0.04)	$ 4.73

	Six Months Ended					
	June 30, 2021			June 30, 2020		
(Shares in thousands, dollars in millions, except per share amounts)	**Basic**	**Effect of Dilution**	**Diluted**	**Basic**	**Effect of Dilution**	**Diluted**
Shareholders' net income	**$ 2,628**		**$ 2,628**	$ 2,935		$ 2,935
Shares:						
Weighted average	**344,845**		**344,845**	368,918		368,918
Common stock equivalents		**3,589**	**3,589**		3,750	3,750
Total shares	**344,845**	**3,589**	**348,434**	368,918	3,750	372,668
EPS	**$ 7.62**	**$ (0.08)**	**$ 7.54**	$ 7.96	$ (0.08)	$ 7.88

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
Anti-dilutive options	**1.5**	4.0	**1.5**	4.0

The Company held approximately 52.2 million shares of common stock in treasury at June 30, 2021, 35.5 million shares as of December 31, 2020 and 20.8 million shares as of June 30, 2020.

Note 6 – Debt

The outstanding amounts of debt and finance leases were as follows:

(In millions)	June 30, 2021	December 31, 2020
Short-term debt		
$78 million, 6.37% Notes due 6/2021	**$ —**	$ 78
$1,000 million, Floating Rate Notes due 9/2021	**—**	999
$1,250 million, 3.4% Notes due 9/2021	**—**	1,249
Commercial paper	**1,512**	1,030
Other, including finance leases	**20**	18
Total short-term debt	**$ 1,532**	$ 3,374
Long-term debt		
$277 million, 4% Notes due 2022	**$ —**	$ 276
$973 million, 3.9% Notes due 2022	**—**	972
$500 million, 3.05% Notes due 2022	**493**	490
$17 million, 8.3% Notes due 2023	**17**	17
$63 million, 7.65% Notes due 2023	**63**	63
$700 million, Floating Rate Notes due 2023	**699**	698
$1,000 million, 3% Notes due 2023	**980**	975
$1,187 million, 3.75% Notes due 2023	**1,184**	2,181
$500 million, 0.613% Notes due 2024	**498**	—
$1,000 million, 3.5% Notes due 2024	**980**	977
$900 million, 3.25% Notes due 2025	**896**	896
$2,200 million, 4.125% Notes due 2025	**2,192**	2,191
$1,500 million, 4.5% Notes due 2026	**1,504**	1,505
$800 million, 1.25% Notes due 2026	**796**	—
$1,500 million, 3.4% Notes due 2027	**1,416**	1,410
$259 million, 7.875% Debentures due 2027	**259**	259
$600 million, 3.05% Notes due 2027	**596**	595
$3,800 million, 4.375% Notes due 2028	**3,781**	3,780
$1,500 million, 2.4% Notes due 2030	**1,490**	1,489
$1,500 million, 2.375% Notes due 2031 (1)	**1,507**	—
$45 million, 8.3% Step Down Notes due 2033	**45**	45
$190 million, 6.15% Notes due 2036	**190**	190
$2,200 million, 4.8% Notes due 2038 (1)	**2,191**	2,180
$750 million, 3.2% Notes due 2040	**743**	742
$121 million, 5.875% Notes due 2041	**119**	119
$448 million, 6.125% Notes due 2041	**490**	490
$317 million, 5.375% Notes due 2042	**315**	315
$1,500 million, 4.8% Notes due 2046	**1,465**	1,465
$1,000 million, 3.875% Notes due 2047	**988**	988
$3,000 million, 4.9% Notes due 2048	**2,967**	2,966
$1,250 million, 3.4% Notes due 2050	**1,235**	1,235
$1,500 million , 3.4% Notes due 2051	**1,476**	—
Other, including finance leases	**31**	36
Total long-term debt	**$ 31,606**	$ 29,545

(1) The Company has entered into interest rate swap contracts hedging a portion of these fixed-rate debt instruments. See Note 9 for further information about the Company's interest rate risk management and these derivative instruments.

Debt Issuance and Redemption. In order to decrease future interest expense, mitigate future refinancing risk and raise proceeds for general corporate purposes, the Company entered into the following transactions during the six months ended June 30, 2021:

- Debt issuance: On March 3, 2021, the Company issued $4.3 billion of new senior notes. The proceeds of this issuance were mainly used to redeem outstanding debt securities. The remaining proceeds are available for general corporate purposes. Interest on this debt is paid semi-annually.

Principal	Maturity Date	Interest Rate	Net Proceeds
$500 million	March 15, 2024	0.613%	$499 million
$800 million	March 15, 2026	1.250%	$797 million
$1,500 million	March 15, 2031	2.375%	$1,492 million
$1,500 million	March 15, 2051	3.400%	$1,479 million

- Debt redemption: During the first six months of 2021, the Company completed the redemption of a total of $4.5 billion in aggregate principal amount of certain of its outstanding debt securities. The Company recorded a pre-tax loss of $141 million ($110 million after-tax), consisting primarily of premium payments.

Revolving Credit Agreements. Our revolving credit agreements provide us with the ability to borrow amounts for general corporate purposes, including for the purpose of providing liquidity support if necessary under our commercial paper program discussed below. As of June 30, 2021, there were no outstanding balances under these revolving credit agreements.

In April 2021, Cigna entered into a $3.0 billion five-year revolving credit and letter of credit agreement that matures in April 2026 and a $1.0 billion three-year revolving credit agreement that matures in April 2024, which are diversified among 23 banks and replaced the five-year revolving credit and letter of credit agreement that was scheduled to mature in April 2023. Under the current agreements, Cigna can borrow up to $3.0 billion and $1.0 billion, respectively, for general corporate purposes, with up to $500 million available under the five-year facility for issuance of letters of credit. The revolving credit agreements also include an option to extend the termination date for an additional one-year period, subject to consent of the banks.

Additionally, in April 2021, Cigna entered into a $1.0 billion 364-day revolving credit agreement that will mature in April 2022 and is diversified among 23 banks. This agreement replaced the prior $1.0 billion 364-day revolving credit agreement that was scheduled to expire in October 2021. Pursuant to this revolving credit agreement, Cigna can borrow up to $1.0 billion for general corporate purposes. The agreement includes the option to “term out” any revolving loans that are outstanding at maturity by converting them into a term loan maturing on the one-year anniversary of conversion.

Each of the five-year facility, the three-year facility and the 364-day facility include an option to increase commitments in an aggregate amount of up to $1.5 billion across all three facilities. Each of the three facilities also contain customary covenants and restrictions including a financial covenant that the Company’s leverage ratio may not exceed 60%, subject to certain exceptions upon the consummation of an acquisition.

Commercial Paper. Under our commercial paper program we may issue short-term, unsecured commercial paper notes privately placed on a discounted basis through certain broker dealers at any time not to exceed an aggregate amount of $4.25 billion as of June 30, 2021. Amounts available under the program may be borrowed, repaid and re-borrowed from time to time. The net proceeds of issuances have been and are expected to be used for general corporate purposes. In July 2021, our commercial paper program size was increased to $5.0 billion.

The Company was in compliance with its debt covenants as of June 30, 2021.

Note 7 – Insurance and Contractholder Liabilities

A. Account Balances – Insurance and Contractholder Liabilities

The Company's insurance and contractholder liabilities were comprised of the following:

	June 30, 2021			December 31, 2020			June 30, 2020
(In millions)	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**	**Total**
Contractholder deposit funds	**$ 357**	**$ 6,765**	**$ 7,122**	$ 350	$ 6,823	$ 7,173	$ 7,689
Future policy benefits	**314**	**9,217**	**9,531**	327	9,317	9,644	9,945
Unearned premiums	**511**	**401**	**912**	485	394	879	930
Unpaid claims and claim expenses							
U.S. Medical	**3,726**	**19**	**3,745**	3,166	18	3,184	2,959
Other segments	**942**	**263**	**1,205**	980	292	1,272	6,150
Total							27,673
Insurance and contractholder liabilities classified as Liabilities of business held for sale [1]							(6,549)
Total insurance and contractholder liabilities	**$ 5,850**	**$ 16,665**	**$ 22,515**	$ 5,308	$ 16,844	$ 22,152	$ 21,124

(1) Amounts classified as Liabilities of business held for sale primarily include $5.1 billion of unpaid claims, $758 million of contractholder deposit funds and $644 million of future policy benefits as of June 30, 2020.

Insurance and contractholder liabilities expected to be paid within one year are classified as current.

B. Unpaid Claims and Claim Expenses – U.S. Medical

This liability reflects estimates of the ultimate cost of claims that have been incurred but not reported, including expected development on reported claims, those that have been reported but not yet paid (reported claims in process) and other medical care expenses and services payable that are primarily comprised of accruals for incentives and other amounts payable to health care professionals and facilities.

The total of incurred but not reported liabilities plus expected development on reported claims, including reported claims in process, was $3.4 billion at June 30, 2021 and $2.7 billion at June 30, 2020.

Activity, net of intercompany transactions, in the unpaid claims liability for the U.S. Medical segment for the six months ended June 30 was as follows:

	Six Months Ended	
(In millions)	**June 30, 2021**	**June 30, 2020**
Beginning balance	**$ 3,184**	$ 2,892
Less: Reinsurance and other amounts recoverable	**224**	303
Beginning balance, net	**2,960**	2,589
Incurred costs related to:		
Current year	**14,796**	12,212
Prior years	**(181)**	(130)
Total incurred	**14,615**	12,082
Paid costs related to:		
Current year	**11,451**	9,585
Prior years	**2,572**	2,284
Total paid	**14,023**	11,869
Ending balance, net	**3,552**	2,802
Add: Reinsurance and other amounts recoverable	**193**	157
Ending balance	**$ 3,745**	$ 2,959

Reinsurance and other amounts recoverable reflect amounts due from reinsurers and policyholders to cover incurred but not reported and pending claims of certain business for which the Company administers the plan benefits without any right of offset. See Note 8 for additional information on reinsurance.

Variances in incurred costs related to prior years' unpaid claims and claim expenses that resulted from the differences between actual experience and the Company's key assumptions for the six months ended June 30 were as follows:

	Six Months Ended			
(Dollars in millions)	**June 30, 2021**		**June 30, 2020**	
	$	**%[1]**	**$**	**%[2]**
Actual completion factors	**$ 55**	**0.2 %**	$ 50	0.2 %
Medical cost trend	**126**	**0.5**	80	0.3
Total favorable variance	**$ 181**	**0.7 %**	$ 130	0.5 %

(1) Percentage of current year incurred costs as reported for the year ended December 31, 2020.
(2) Percentage of current year incurred costs as reported for the year ended December 31, 2019.

Favorable prior year development in both years reflects utilization of medical services that is lower than our estimates used to establish prior year reserves.

C. Unpaid Claims and Claim Expenses – International Markets and Other Operations

Liability balance details. The liability details for unpaid claims and claim expenses are as follows:

(In millions)	**June 30, 2021**	**June 30, 2020**
Other Operations		
Group Disability and Life	**$ —**	$ 5,165
Other Operations	**284**	160
Total Other Operations	**284**	5,325
International Markets	**921**	825
Unpaid claims and claim expenses Other Operations and International Markets	**$ 1,205**	$ 6,150

Activity in the Company's liabilities for unpaid claims and claim expenses for International Markets and, prior to the sale, Group Disability and Life (see Note 4 for further information), is presented in the following table. Prior to the sale, the majority of the liability related to disability claims with long tailed payouts. See Note 9C to the Consolidated Financial Statements included in our 2020 Form 10-K for additional discussion of these disability reserves that are now sold. Liabilities associated with Other Operations are excluded because they pertain to obligations for long-duration insurance contracts or, if short-duration, the liabilities have been fully reinsured.

	Six Months Ended	
(In millions)	**June 30, 2021**	**June 30, 2020 [1]**
Beginning balance	**$ 963**	$ 5,816
Less: Reinsurance	**59**	184
Beginning balance, net	**904**	5,632
Incurred claims related to:		
Current year	**1,421**	2,829
Prior years:		
Interest accretion	**—**	81
All other incurred	**(51)**	(8)
Total incurred	**1,370**	2,902
Paid claims related to:		
Current year	**922**	1,357
Prior years	**467**	1,353
Total paid	**1,389**	2,710
Foreign currency	**(21)**	(14)
Ending balance, net	**864**	5,810
Add: Reinsurance	**57**	180
Ending balance	**$ 921**	$ 5,990

(1) Includes unpaid claims amounts classified as Liabilities of business held for sale.

Reinsurance in the table above reflects amounts due from reinsurers related to unpaid claims liabilities. The Company's insurance subsidiaries enter into agreements with other companies primarily to limit losses from large exposures and to permit recovery of a portion of incurred losses. See Note 8 for additional information on reinsurance.

Note 8 – Reinsurance

The Company's insurance subsidiaries enter into agreements with other insurance companies to assume and cede reinsurance. Reinsurance is ceded primarily in acquisition and disposition transactions when the underwriting company is not being acquired. Reinsurance is also used to limit losses from large exposures and to permit recovery of a portion of direct or assumed losses. 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.

A. Reinsurance Recoverables

The majority of the Company's reinsurance recoverables resulted from acquisition and disposition transactions in which the underwriting company was not acquired. Included in the table below are $227 million of current reinsurance recoverables that are reported in Other current assets as of June 30, 2021; as of December 31, 2020 there was $217 million of current reinsurance recoverables reported in Other current assets. The Company's reinsurance recoverables as of June 30, 2021 are presented in the following table by range of external credit rating and collateral level.

(in millions)	Fair value of collateral contractually required to meet or exceed carrying value of recoverable	Collateral provisions exist that may mitigate risk of credit loss[3]	No collateral	Total
Ongoing Operations				
Upper-medium grade and higher [1]	$ —	$ —	$ 182	$ 182
Lower-medium grade [2]	—	—	64	64
Not rated	93	—	44	137
Total recoverables related to ongoing operations	93	—	290	383
Acquisition, disposition or runoff activities				
Upper-medium grade and higher [1]				
Lincoln National Life and Lincoln Life & Annuity of New York	—	2,987	—	2,987
Berkshire	292	382	—	674
Prudential Retirement Insurance and Annuity	594	—	—	594
Life Insurance Company of North America	—	457	—	457
Other	226	17	18	261
Not rated	—	13	3	16
Total recoverables related to acquisition, disposition or runoff activities	1,112	3,856	21	4,989
Total	$ 1,205	$ 3,856	$ 311	$ 5,372
Allowance for uncollectible reinsurance				(31)
Total reinsurance recoverables				$ 5,341

(1) Includes A- equivalent and higher current ratings certified by a nationally recognized statistical rating organization ("NRSRO")
(2) Includes BBB- to BBB+ equivalent current credit ratings certified by an NRSRO
(3) Includes collateral provisions requiring the reinsurer to fully collateralize its obligation if its external credit rating is downgraded to a specified level

Collateral levels are defined internally based on the fair value of the collateral relative to the carrying amount of the reinsurance recoverable, the frequency at which collateral is required to be replenished and the potential for volatility in the collateral's fair value.

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. The Company reviews its reinsurance arrangements and establishes reserves against the recoverables.

B. Effects of Reinsurance

In the Company's Consolidated Statements of Income, Premiums were reported net of amounts ceded to reinsurers and Medical costs and other benefit expenses were reported net of reinsurance recoveries in the following amounts:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
Total ceded premiums	**$ 134**	$ 117	**$ 284**	$ 245
Total reinsurance recoveries	**$ 133**	$ 102	**$ 281**	$ 280

C. Effective Exit of GMDB and GMIB Business

The Company entered into an agreement with Berkshire to effectively exit the GMDB and GMIB business via a reinsurance transaction in 2013. Berkshire reinsured 100% of the Company's future claim payments in this business, net of other reinsurance arrangements existing at that time. The reinsurance agreement is subject to an overall limit with approximately $3.2 billion remaining at June 30, 2021.

GMDB is accounted for as assumed and ceded reinsurance and GMIB assets and liabilities are reported as derivatives at fair value as discussed below. GMIB assets are reported in Other current assets and Other assets and GMIB liabilities are reported in Accrued expenses and other liabilities and Other non-current liabilities. Assumptions used in fair value measurement for these assets and liabilities are discussed in Note 10 of the Company's 2020 Form 10-K.

GMDB

The GMDB exposure arises under annuities written by ceding companies that guarantee the benefit received at death. The Company's exposure arises when the guaranteed minimum death benefit exceeds the fair value of the related mutual fund investments at the time of a contractholder's death.

The following table presents the account value, net amount at risk and the number of 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. The Company should be reimbursed in full for these payments unless the Berkshire reinsurance limit is exceeded.

(Dollars in millions, excludes impact of reinsurance ceded)	**June 30, 2021**	**December 31, 2020**
Account value	**$ 9,835**	$ 9,523
Net amount at risk	**$ 1,450**	$ 1,570
Number of contractholders (estimated)	**175,000**	185,000

GMIB

The Company reinsured contracts with issuers of GMIB products. The Company's exposure represents the excess of a contractually guaranteed amount over the level of variable annuity account values. Payment by the Company depends on the actual account value in the related underlying mutual funds and the level of interest rates when the contractholders elect to receive minimum income payments that can only occur within 30 days of a policy anniversary after the appropriate waiting period. The Company has purchased retrocessional coverage ("GMIB assets") for these contracts including retrocessional coverage from Berkshire.

GMIB liabilities totaling $604 million as of June 30, 2021 and $729 million as of December 31, 2020 are classified as Level 3 because fair value inputs are largely unobservable. There were three reinsurers covering 100% of the GMIB exposures as of June 30, 2021 and December 31, 2020 as follows:

(In millions)

Line of Business	Reinsurer	June 30, 2021	December 31, 2020	Collateral and Other Terms at June 30, 2021
GMIB	Berkshire	**$ 295**	$ 353	100% were secured by assets in a trust.
	Sun Life Assurance Company of Canada	**177**	215	
	Liberty Re (Bermuda) Ltd.	**159**	190	100% were secured by assets in a trust.
Total GMIB recoverables reported in Other current assets and Other assets		**$ 631**	$ 758	

All reinsurers are rated A- equivalent and higher by an NRSRO.

Amounts included in shareholders' net income for GMIB assets and liabilities were not material for the three and six months ended June 30, 2021 or June 30, 2020.

Note 9 – Investments

Cigna's investment portfolio consists of a broad range of investments including debt securities, equity securities, commercial mortgage loans, policy loans, other long-term investments, short-term investments and derivative financial instruments. The sections below provide more detail regarding our investment balances and realized investment gains and losses. See Note 10 for information about the valuation of the Company's investment portfolio. Further information about our accounting policies for investment assets can be found in Note 11 of the Company's 2020 Form 10-K.

The following table summarizes the Company's investments by category and current or long-term classification:

	June 30, 2021			December 31, 2020		
(In millions)	Current	Long-term	Total	Current	Long-term	Total
Debt securities	**$ 904**	**$ 17,258**	**$ 18,162**	$ 959	$ 17,172	$ 18,131
Equity securities	**—**	**530**	**530**	—	501	501
Commercial mortgage loans	**52**	**1,399**	**1,451**	13	1,406	1,419
Policy loans	**—**	**1,341**	**1,341**	—	1,351	1,351
Other long-term investments	**—**	**3,094**	**3,094**	—	2,832	2,832
Short-term investments	**349**	**—**	**349**	359	—	359
Total	**$ 1,305**	**$ 23,622**	**$ 24,927**	$ 1,331	$ 23,262	$ 24,593

A. Investment Portfolio

Debt Securities

The amortized cost and fair value by contractual maturity periods for debt securities were as follows at June 30, 2021:

(In millions)	Amortized Cost	Fair Value
Due in one year or less	**$ 939**	**$ 945**
Due after one year through five years	**5,431**	**5,682**
Due after five years through ten years	**5,873**	**6,297**
Due after ten years	**3,947**	**4,761**
Mortgage and other asset-backed securities	**472**	**477**
Total	**$ 16,662**	**$ 18,162**

Actual maturities of these securities could differ from their contractual maturities used in the table above because issuers may have the right to call or prepay obligations, with or without penalties.

Gross unrealized appreciation (depreciation) on debt securities by type of issuer is shown below:

(In millions)	Amortized Cost	Allowance for Credit Loss	Unrealized Appreciation	Unrealized Depreciation	Fair Value
June 30, 2021					
Federal government and agency	**$ 288**	**$ —**	**$ 107**	**$ —**	**$ 395**
State and local government	**149**	**—**	**18**	**—**	**167**
Foreign government	**2,284**	**—**	**238**	**(22)**	**2,500**
Corporate	**13,469**	**(24)**	**1,234**	**(56)**	**14,623**
Mortgage and other asset-backed	**472**	**(12)**	**21**	**(4)**	**477**
Total	**$ 16,662**	**$ (36)**	**$ 1,618**	**$ (82)**	**$ 18,162**
Investments supporting liabilities of the Company's run-off settlement annuity business (included in total above) [1]	**$ 2,307**	**$ (4)**	**$ 727**	**$ (7)**	**$ 3,023**
December 31, 2020					
Federal government and agency	$ 334	$ —	$ 122	$ —	$ 456
State and local government	150	—	17	—	167
Foreign government	2,201	—	318	(8)	2,511
Corporate	13,108	(19)	1,506	(33)	14,562
Mortgage and other asset-backed	427	(7)	27	(12)	435
Total	$ 16,220	$ (26)	$ 1,990	$ (53)	$ 18,131
Investments supporting liabilities of the Company's run-off settlement annuity business (included in total above) [1]	$ 2,282	$ (5)	$ 838	$ (3)	$ 3,112

(1) Net unrealized appreciation for these investments is excluded from accumulated other comprehensive income.

Review of declines in fair value. Management reviews impaired debt securities to determine whether a credit loss allowance is needed based on criteria that include:

- severity of decline;
- financial health and specific prospects of the issuer; and
- changes in the regulatory, economic or general market environment of the issuer's industry or geographic region.

The table below summarizes debt securities with a decline in fair value from amortized cost for which an allowance for credit losses has not been recorded, by investment grade and the length of time these securities have been in an unrealized loss position. These debt securities are primarily corporate securities with a decline in fair value that reflects an increase in market yields since purchase. Our allowance for credit losses on debt securities was not material as of June 30, 2021 and December 31, 2020.

	June 30, 2021				December 31, 2020			
(Dollars in millions)	Fair Value	Amortized Cost	Unrealized Depreciation	Number of Issues	Fair Value	Amortized Cost	Unrealized Depreciation	Number of Issues
One year or less								
Investment grade	**$ 2,178**	**$ 2,239**	**$ (61)**	**680**	$ 1,026	$ 1,045	$ (19)	300
Below investment grade	**$ 439**	**$ 451**	**$ (12)**	**512**	$ 381	$ 405	$ (24)	232
More than one year								
Investment grade	**$ 53**	**$ 55**	**$ (2)**	**12**	$ 18	$ 18	$ —	6
Below investment grade	**$ 147**	**$ 154**	**$ (7)**	**32**	$ 90	$ 100	$ (10)	33
Total	**$ 2,817**	**$ 2,899**	**$ (82)**	**1,236**	$ 1,515	$ 1,568	$ (53)	571

Equity Securities

The following table provides the values of the Company's equity security investments as of June 30, 2021 and December 31, 2020. The amount of impairments or value changes resulting from observable price changes on equity securities still held was not material to the financial statements as of June 30, 2021 or December 31, 2020.

	June 30, 2021		December 31, 2020	
(In millions)	**Cost**	**Carrying Value**	**Cost**	**Carrying Value**
Equity securities with readily determinable fair values	**$ 203**	**$ 208**	$ 180	$ 202
Equity securities with no readily determinable fair value	**$ 232**	**$ 283**	$ 225	$ 255
Hybrid equity securities	**$ 58**	**$ 39**	$ 58	$ 44
Total	**$ 493**	**$ 530**	$ 463	$ 501

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 fixed rates of interest and are secured by high quality, primarily completed and substantially leased operating properties. Commercial mortgage loans are classified as either current or long-term investments based on their contractual maturities.

The Company regularly evaluates and monitors credit risk from the initial mortgage loan underwriting and throughout the investment holding period. For more information on the Company's accounting policies and methodologies regarding these investments, see Note 11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Loan-to-value and debt service coverage ratio are the two most significant contributors to the credit quality ratings that the Company uses to evaluate and monitor credit risk in its commercial mortgage loan portfolio. The following table summarizes the credit risk profile of the Company’s commercial mortgage loan portfolio as of June 30, 2021 and December 31, 2020:

(Dollars in millions)	June 30, 2021			December 31, 2020		
Loan-to-Value Ratio	**Carrying Value**	**Average Debt Service Coverage Ratio**	**Average Loan-to-Value Ratio**	**Carrying Value**	**Average Debt Service Coverage Ratio**	**Average Loan-to-Value Ratio**
Below 60%	**$ 592**	**2.18**		$ 533	2.28	
60% to 79%	**735**	**1.80**		751	2.08	
80% to 100%	**130**	**1.47**		141	1.33	
Allowance for credit losses	**(6)**			(6)		
Total	**$ 1,451**	**1.93**	**60 %**	$ 1,419	2.08	61 %

All commercial mortgage loans in the Company's portfolio are current as of June 30, 2021 and December 31, 2020.

Other Long-Term Investments

Other long-term investments include investments in unconsolidated entities, including 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 reporting income or loss, based on the financial statements of the underlying investments that are generally reported at fair value. Income or loss from these investments is reported on a one quarter lag due to the timing of when financial information is received from the general partner or manager of the investments.

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. Additionally, statutory and other restricted deposits and foreign currency swaps carried at fair value are reported in the table below as Other. The following table provides the carrying value information for these investments:

	Carrying value as of	
(In millions)	**June 30, 2021**	**December 31, 2020**
Real estate investments	**$ 1,078**	$ 951
Securities partnerships	**1,853**	1,737
Other	**163**	144
Total	**$ 3,094**	$ 2,832

B. 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. The Company also uses derivative financial instruments to hedge the risk of changes in the net assets of certain of its foreign subsidiaries due to changes in foreign currency exchange rates and to hedge the 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 as discussed in Note 8. 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.

Derivative instruments used by the Company typically include foreign currency and interest rate swap contracts and foreign currency forward contracts. Swap contracts periodically exchange cash flows between fixed and variable interest rates or between two currencies for principal and interest. Foreign currency forward contracts require the Company to purchase a foreign currency in exchange for the functional currency of its operating unit at a future date.

The Company manages the credit risk of these derivative instruments by diversifying its portfolio among approved dealers of high credit quality and through routine monitoring of credit risk exposures. While certain centrally-cleared derivative instruments require the posting of cash as an upfront margin, certain of the Company's over-the-counter derivative instruments require either the Company or the counterparty to post collateral or demand immediate payment depending on the amount of the net liability position of the derivative instrument and predefined financial strength or credit rating thresholds. These collateral posting requirements vary by counterparty. The Company may incur a loss if dealers failed to perform under derivative contracts; however, collateral has been posted by dealers to cover substantially all of the net fair values owed at June 30, 2021 and December 31, 2020. The fair value of margin and collateral posted by the Company was not significant as of June 30, 2021 or December 31, 2020.

The gross fair values of our derivative financial instruments are presented in Note 10. The following table summarizes the types and notional quantity of derivative instruments held by the Company. As of June 30, 2021 and December 31, 2020, the effects of these individual hedging strategies were not material to the Consolidated Financial Statements, including gains or losses reclassified from Accumulated other comprehensive income into Shareholders' net income, as well as amounts excluded from the assessment of hedge effectiveness.

(In millions)

Purpose	Type of Instrument	Notional Value as of June 30, 2021	Notional Value as of December 31, 2020
Fair value hedge: To hedge the foreign exchange-related changes in fair values of certain foreign-denominated bonds. The notional value of these derivatives matches the amortized cost of the hedged bonds.	Foreign currency swap contracts	**$ 1,040**	$ 925
Fair value hedge: To convert a portion of the interest rate exposure on the Company's long-term debt from fixed to variable rates. This more closely aligns the Company's interest expense with the interest income received on its cash equivalent and short-term investment balances. The variable rates are benchmarked to SOFR.	Interest rate swap contracts	**$ 750**	$ —
Net investment hedge: To reduce the risk of changes in net assets due to changes in foreign currency spot exchange rates for certain foreign subsidiaries that conduct their business principally in Euros, Korean Won and Taiwan Dollar. The notional value of hedging instruments matches the hedged amount of subsidiary net assets.	Foreign currency swap contracts	**$ 526**	$ 526
	Foreign currency forward contracts	**$ 686**	$ 636
Economic hedge: To hedge the foreign exchange-related changes in fair value of U.S. dollar-denominated investment assets to reflect the local currency for the Company's foreign subsidiary in South Korea. The notional value of hedging instruments generally aligns with the fair value of the hedged investments.	Foreign currency forward contracts	**$ 643**	$ 538
Economic hedge: To hedge against the foreign exchange depreciation of certain foreign subsidiary earnings denominated in South Korean Won. The notional value of hedging instruments aligns with the U.S. dollar equivalent of hedged foreign-denominated earnings.	Average rate option contracts	**$ 269**	$ —

The Company implemented two new hedging strategies during the second quarter of 2021 that are described in the above table and are accounted for as follows:

- Fair value hedges of the interest rate exposure on the Company's long-term debt: Using fair value hedge accounting, the fair values of the swap contracts are reported in Other assets, or Other liabilities. The critical terms of these swaps match those of the long-term debt being hedged. As a result, the carrying value of the hedged debt is adjusted to reflect changes in its fair value driven by the Secured Overnight Financing Rate ("SOFR"). The effects of those adjustments on interest expense are offset by the effects of corresponding changes in the swaps' fair value. The net impact from the hedge reported in Interest expense and other reflects interest expense on the hedged debt at the variable interest rate. Cash flows relating to these contracts are reported in Operating activities.

- Economic hedge against the depreciation of foreign subsidiary earnings due to changes in the quarterly average exchange rate: Fair values of average rate option contracts are reported in Other assets. Because hedge accounting is not applied, changes in fair value are reported currently in earnings in Fees and other revenues. Cash flows relating to these contracts are reported in Operating activities.

As there have been no other changes to the types of derivative financial instruments the Company uses, refer to the Company's 2020 Form 10-K for further discussion on our accounting policy.

C. Realized Investment Gains and Losses

The following realized gains and losses on investments exclude amounts required to adjust future policy benefits for the run-off settlement annuity business (consistent with accounting for a premium deficiency), as well as realized gains and losses attributed to the Company's separate accounts because those gains and losses generally accrue directly to separate account policyholders:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
Net realized investment gains (losses), excluding credit loss expense and asset write-downs	**$ 60**	$ 33	**$ 70**	$ 9
Credit loss (expense) recoveries	**(1)**	6	**(10)**	(49)
Other investment asset write-downs	**—**	(1)	**—**	(10)
Net realized investment gains (losses), before income taxes	**$ 59**	$ 38	**$ 60**	$ (50)

Net realized investment gains, excluding credit loss expense and asset write-downs for the six months ended June 30, 2021 was primarily driven by mark-to-market gains on equity securities and gains on the sales of real estate partnerships, partially offset by mark-to-market losses on derivatives. This activity for the six months ended June 30, 2020 primarily represent gains on sales of debt securities, partially offset by mark-to-market losses on derivatives and equity securities. Credit loss (expense) recoveries on invested assets reflect credit losses incurred on debt securities primarily relating to issuers in certain industries that have been impacted by the global COVID-19 pandemic. Realized gains and losses on equity securities still held at June 30, 2021 and 2020 were not material.

Note 10 – Fair Value Measurements

The Company carries certain financial instruments at fair value in the financial statements including debt securities, certain equity securities, short-term investments and derivatives. Other financial instruments are measured at fair value only under certain conditions, such as when impaired or when there are observable price changes for equity securities with no readily determinable fair value.

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).

For a description of the policies, methods and assumptions that are used to estimate fair value and determine the fair value hierarchy for each class of financial instruments, see Note 12 "Fair Value Measurements" to the Company's 2020 Form 10-K.

A. Financial Assets and Financial Liabilities Carried at Fair Value

The following table provides information as of June 30, 2021 and December 31, 2020 about the Company's financial assets and liabilities carried at fair value. Separate account assets are also recorded at fair value on the Company's Consolidated Balance Sheets and are reported separately in the Separate Accounts section below as gains and losses related to these assets generally accrue directly to policyholders.

(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total	
	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020	As of June 30, 2021	As of December 31, 2020
Financial assets at fair value								
Debt securities								
Federal government and agency	**$ 155**	$ 207	**$ 240**	$ 249	**$ —**	$ —	**$ 395**	$ 456
State and local government	**—**	—	**167**	167	**—**	—	**167**	167
Foreign government	**—**	—	**2,487**	2,498	**13**	13	**2,500**	2,511
Corporate	**—**	—	**13,956**	13,878	**667**	684	**14,623**	14,562
Mortgage and other asset-backed	**—**	—	**334**	309	**143**	126	**477**	435
Total debt securities	**155**	207	**17,184**	17,101	**823**	823	**18,162**	18,131
Equity securities [1]	**50**	50	**166**	165	**31**	31	**247**	246
Short-term investments	**—**	—	**348**	325	**—**	—	**348**	325
Derivative assets [2]	**—**	—	**72**	72	**—**	—	**72**	72
Financial liabilities at fair value								
Derivative liabilities	**$ —**	$ —	**$ 45**	$ 108	**$ —**	$ —	**$ 45**	$ 108

(1) Excludes certain equity securities that have no readily determinable fair value.

(2) Derivative assets above include $1 million that are presented in the Short-term investments category disclosed in Note 9. See Note 9 for more information on our Derivative Financial Instruments.

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.

Quantitative Information about Unobservable Inputs

The significant unobservable input used to value our corporate and government debt securities and mortgage and other asset-backed securities is an adjustment for liquidity. This adjustment is needed to reflect current market conditions and issuer circumstances when there is limited trading activity for the security. The following table summarizes the fair value and significant unobservable inputs that were developed directly by the Company and used in pricing these debt securities as of June 30, 2021 and December 31, 2020. The range and weighted average basis point ("bps") amounts for liquidity reflect the Company's best estimates of the unobservable adjustments a market participant would make to calculate these fair values.

(Fair value in millions)	Fair Value as of		Unobservable input June 30, 2021	Unobservable Adjustment Range (Weighted Average by Quantity) as of	
	June 30, 2021	December 31, 2020		June 30, 2021	December 31, 2020
Debt securities					
Corporate and government debt securities	**$ 680**	$ 696	**Liquidity**	**60 - 1720 (510) bps**	60 - 1370 (470) bps
Mortgage and other asset-backed securities	**143**	126	**Liquidity**	**60 - 390 (90) bps**	60 - 380 (80) bps
Securities not priced by the Company [1]	**—**	1			
Total Level 3 debt securities	**$ 823**	$ 823			

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

A significant increase in liquidity spread adjustments would result in a lower fair value measurement, while a decrease would result in a higher fair value measurement.

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

The following table summarizes the changes in financial assets and financial liabilities classified in Level 3 for the three and six months ended June 30, 2021 and 2020. Gains and losses reported in the table may include net changes in fair value that are attributable to both observable and unobservable inputs.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
Debt and Equity Securities				
Beginning balance	**$ 903**	$ 766	**$ 854**	$ 555
Total gains (losses) included in shareholders' net income	**(1)**	17	**(11)**	5
Gains (losses) included in other comprehensive income	**7**	12	**(9)**	(59)
Gains (losses) required to adjust future policy benefits for settlement annuities [(1)]	**1**	7	**(7)**	(3)
Purchases, sales and settlements				
Purchases	**42**	2	**71**	64
Sales	**—**	—	**—**	(12)
Settlements	**(9)**	(5)	**(25)**	(7)
Total purchases, sales and settlements	**33**	(3)	**46**	45
Transfers into/(out of) Level 3				
Transfers into Level 3	**37**	179	**123**	527
Transfers out of Level 3	**(126)**	(118)	**(142)**	(210)
Total transfers into/(out of) Level 3	**(89)**	61	**(19)**	317
Ending balance	**$ 854**	$ 860	**$ 854**	$ 860
Total gains (losses) included in Shareholders' net income attributable to instruments held at the reporting date	**$ (1)**	$ 16	**$ (12)**	$ (1)
Change in unrealized gains or losses included in Other comprehensive income for assets held at the end of the reporting period	**$ 7**	$ 12	**$ (9)**	$ (54)

(1) Amounts do not accrue to shareholders.

Total gains and losses included in Shareholders' net income in the tables above are reflected in the Consolidated Statements of Income as Net realized investment gains (losses) and Net investment income.

Gains and losses included in Other comprehensive income in the tables above are reflected in Net unrealized appreciation (depreciation) on securities and derivatives in the Consolidated Statements of Comprehensive Income.

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. Market activity typically decreases during periods of economic uncertainty, and this decrease in activity reduces the availability of market observable data. As a result, the level of unobservable judgment that must be applied to the pricing of certain instruments increases, and is typically observed through the widening of liquidity spreads. Transfers between Level 2 and Level 3 during 2021 and 2020 primarily reflected changes in liquidity estimates for certain private placement issuers across several sectors. Transfers into and out of Level 3 were higher in 2020 due to significant fluctuations in unobservable inputs experienced as a result of the uncertainty over the economic impacts related to COVID-19. See discussion under Quantitative Information about Unobservable Inputs above for more information.

Separate Accounts

The investment income and fair value gains and losses of Separate account assets generally accrue directly to the contractholders and, together with their deposits and withdrawals, are excluded from the Company's Consolidated Statements of Income and Cash Flows.

Fair values of Separate account assets at June 30, 2021 and December 31, 2020 were as follows:

(In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Total	
	June 30, 2021	**December 31, 2020**	**June 30, 2021**	**December 31, 2020**	**June 30, 2021**	**December 31, 2020**	**June 30, 2021**	**December 31, 2020**
Guaranteed separate accounts (See Note 15)	**$ 231**	$ 226	**$ 287**	$ 297	**$ —**	$ —	**$ 518**	$ 523
Non-guaranteed separate accounts [(1)]	**2,013**	1,925	**5,592**	5,600	**373**	355	**7,978**	7,880
Subtotal	**$ 2,244**	$ 2,151	**$ 5,879**	$ 5,897	**$ 373**	$ 355	**8,496**	8,403
Non-guaranteed separate accounts priced at NAV as a practical expedient [(1)]							**765**	683
Separate account assets per Consolidated Balance Sheets							**$ 9,261**	$ 9,086

(1) Non-guaranteed separate accounts included $4.4 billion as of June 30, 2021 and $4.2 billion as of December 31, 2020 in assets supporting the Company's pension plans, including $0.3 billion classified in Level 3 as of June 30, 2021 and December 31, 2020.

Separate account assets classified in Level 3 primarily support Cigna's pension plans and include certain newly-issued, privately-placed, complex or illiquid securities that are priced using methods discussed above, as well as commercial mortgage loans. Activity, including transfers into and out of Level 3, was not material for the three and six months ended June 30, 2021 or 2020.

Separate account investments in securities partnerships, real estate and hedge funds are generally valued based on the separate account's ownership share of the equity of the investee (NAV as a practical expedient) including changes in the fair values of its underlying investments. Substantially all of these assets support the Cigna Pension Plans. The following table provides additional information on these investments:

(In millions)	Fair Value as of		Unfunded Commitment as of June 30, 2021	Redemption Frequency (if currently eligible)	Redemption Notice Period
	June 30, 2021	**December 31, 2020**			
Securities partnerships	**$ 483**	$ 463	**$ 270**	Not applicable	Not applicable
Real estate funds	**278**	215	**23**	Quarterly	30 - 90 days
Hedge funds	**4**	5	**—**	Up to annually, varying by fund	30 - 90 days
Total	**$ 765**	$ 683	**$ 293**		

As of June 30, 2021, the Company does not have plans to sell any of these assets at less than fair value. These investments are structured to satisfy longer-term investment objectives. Securities partnerships are contractually non-redeemable, and the underlying investment assets are expected to be liquidated by the fund managers within ten years after inception.

B. 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 when investments become impaired, including investment real estate and commercial mortgage loans and certain equity securities with no readily determinable fair value. For the six months ended June 30, 2021 and 2020, there were no such impairments. Equity securities with no readily determinable fair value are also measured at fair value when there are observable price changes from orderly transactions with the same issuer. Realized investment gains and losses from these observable price changes for the six months ended June 30, 2021 and June 30, 2020 were not material. Carrying values represented less than 1% of total investments as of both June 30, 2021 and June 30, 2020.

C. 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 June 30, 2021 and December 31, 2020. In addition to universal life products and finance leases, financial instruments that are carried in the Company's Consolidated Financial Statements at amounts that approximate fair value are excluded from the following table:

		June 30, 2021		**December 31, 2020**	
(In millions)	**Classification in Fair Value Hierarchy**	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
Commercial mortgage loans	Level 3	**$ 1,494**	**$ 1,451**	$ 1,456	$ 1,419
Long-term debt, including current maturities, excluding finance leases	Level 2	**$ 36,076**	**$ 31,575**	$ 37,676	$ 31,835

Note 11 – Variable Interest Entities

We perform ongoing qualitative analyses of our involvement with variable interest entities to determine if consolidation is required. The Company determined it was not a primary beneficiary in any material variable interest entity as of June 30, 2021 or December 31, 2020. The Company's involvement with variable interest entities for which it is not the primary beneficiary has not changed materially from December 31, 2020. For details of our accounting policy for variable interest entities and the composition of variable interest entities with which the Company is involved, refer to Note 13 in the Company's 2020 Form 10-K. The Company has not provided, and does not intend to provide, financial support to any of these variable interest entities in excess of its maximum exposure.

Note 12 – Accumulated Other Comprehensive Income (Loss) ("AOCI")

AOCI includes unrealized appreciation on securities and derivatives (excluding appreciation on investments supporting future policy benefit liabilities of the run-off settlement annuity business) (See Note 9), foreign currency translation and the net postretirement benefits liability adjustment. AOCI includes the Company's share from unconsolidated entities reported on the equity method. Generally, tax effects in AOCI are established at the currently enacted tax rate and reclassified to Shareholders' net income in the same period that the related pre-tax AOCI reclassifications are recognized. Changes in the components of AOCI were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
Securities and Derivatives				
Beginning balance	**$ 627**	$ 547	**$ 900**	$ 975
Appreciation (depreciation) on securities and derivatives	**170**	920	**(172)**	340
Tax (expense) benefit	**(40)**	(196)	**25**	(69)
Net appreciation (depreciation) on securities and derivatives	**130**	724	**(147)**	271
Reclassification adjustment for (gains) losses included in Shareholders' net income (Net realized investment (gains) losses)	**(11)**	(19)	**(6)**	13
Reclassification adjustment for tax expense (benefit) included in Shareholders' net income	**3**	4	**2**	(3)
Net (gains) losses reclassified from AOCI to Shareholders' net income	**(8)**	(15)	**(4)**	10
Other comprehensive income (loss), net of tax	**122**	709	**(151)**	281
Ending balance	**$ 749**	$ 1,256	**$ 749**	$ 1,256
Translation of foreign currencies				
Beginning balance	**$ (130)**	$ (446)	**$ (15)**	$ (275)
Translation of foreign currencies	**16**	65	**(98)**	(95)
Tax (expense) benefit	**—**	5	**(5)**	(10)
Other comprehensive income (loss), net of tax	**16**	70	**(103)**	(105)
Less: Net translation gain (loss) on foreign currencies attributable to noncontrolling interests	**(1)**	(2)	**(5)**	(6)
Shareholders' other comprehensive income (loss), net of tax	**17**	72	**(98)**	(99)
Ending balance	**$ (113)**	$ (374)	**$ (113)**	$ (374)
Postretirement benefits liability				
Beginning balance	**$ (1,728)**	$ (1,628)	**$ (1,746)**	$ (1,641)
Reclassification adjustment for amortization of net prior actuarial losses and prior service costs (Interest expense and other)	**19**	18	**39**	36
Reclassification adjustment for settlement (Interest expense and other)	**1**	—	**4**	—
Reclassification adjustment for tax expense (benefit) included in Shareholders' net income	**(5)**	(4)	**(10)**	(9)
Net adjustments reclassified from AOCI to Shareholders' net income	**15**	14	**33**	27
Valuation update	**—**	(73)	**—**	(73)
Tax (expense) benefit	**—**	17	**—**	17
Net change due to valuation update	**—**	(56)	**—**	(56)
Other comprehensive income (loss), net of tax	**15**	(42)	**33**	(29)
Ending balance	**$ (1,713)**	$ (1,670)	**$ (1,713)**	$ (1,670)

Note 13 – Leases

Operating and finance lease Right-of-Use ("ROU") assets and lease liabilities were as follows:

(In millions)	June 30, 2021	December 31, 2020
Operating leases:		
Operating lease ROU assets	**$ 508**	$ 552
Accrued expenses and other liabilities	**$ 149**	$ 152
Other non-current liabilities	**449**	491
Total operating lease liabilities	**$ 598**	$ 643
Finance leases:		
Property and equipment, gross	**$ 89**	$ 98
Accumulated depreciation	**(40)**	(46)
Property and equipment, net	**$ 49**	$ 52
Short-term debt	**$ 20**	$ 18
Long-term debt	**31**	36
Total finance lease liabilities	**$ 51**	$ 54

Note 14 – Income Taxes

Income Tax Expense

The 22.4% effective tax rate for the six months ended June 30, 2021 was higher than the 20.0% rate for the same period in 2020. This increase is primarily attributable to the absence of favorable items which reduced the rate in 2020, including settlements of uncertain tax positions and the remeasurement of deferred state income taxes due to changes in statutory rates and adjustments in apportionment factors; partially offset by the elimination of the nondeductible health insurer tax in 2021.

Note 15 – 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

The Company guarantees that separate account assets will be sufficient to pay certain life insurance or retiree benefits. For the majority of these 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. If employers fail to do so, the Company or an affiliate of the buyer of the retirement benefits business has the right to redirect the management of the related assets to provide for benefit payments. As of June 30, 2021, employers maintained assets that generally exceeded the benefit obligations under these arrangements of approximately $450 million. An additional liability is established if management believes that the Company will be required to make payments under the guarantees; there were no additional liabilities required for these guarantees, net of reinsurance, as of June 30, 2021. Separate account assets supporting these guarantees are classified in Levels 1 and 2 of the GAAP 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. Certain Other Guarantees

The Company had indemnification obligations as of June 30, 2021 in connection with acquisition and disposition 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, filing of tax returns, compliance with law or identification of outstanding litigation. These obligations are typically subject to various time limitations, defined by the contract or by 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 June 30, 2021.

C. Guaranty Fund Assessments

The Company operates in a regulatory environment that may require its participation 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.

There were no material charges or credits resulting from existing or new guaranty fund assessments for the six months ended June 30, 2021.

D. Legal and Regulatory Matters

The Company is routinely involved in numerous claims, lawsuits, regulatory inquiries and audits, government investigations, including under the federal False Claims Act and state false claims acts initiated by a government investigating body or by a qui tam relator's filing of a complaint under court seal, and other legal matters arising, for the most part, in the ordinary course of managing a global health service business. Additionally, the Company has received and is cooperating with subpoenas or similar processes from various governmental agencies requesting information, all arising in the normal course of its business. Disputed tax matters arising from audits by the Internal Revenue Service or other state and foreign jurisdictions, including those resulting in litigation, are accounted for under GAAP guidance for uncertain tax positions.

Pending litigation and legal or regulatory matters that the Company has identified with a reasonably possible material loss and certain other material litigation matters are described below. For those matters that the Company has identified with a reasonably possible material loss, the Company provides disclosure in the aggregate of accruals and range of loss, or a statement that such information cannot be estimated. The Company's accruals for the matters discussed below under "Litigation Matters" and "Regulatory Matters" are not material. 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. The outcomes of lawsuits are inherently unpredictable and we may be unsuccessful in these ongoing litigation matters or any future claims or litigation.

Litigation Matters

Risk Corridors and CSR Litigation with the Federal Government. As a result of a Supreme Court decision in April 2020, the Company filed suit in early May 2020 against the United States in the U.S. Court of Federal Claims seeking to recover two types of payments the Federal Government owes Cigna under the risk corridors and cost-sharing reduction ("CSR") programs of The Patient Protection and Affordable Care Act. In aggregate, the complaint sought to recover more than $315 million: $120 million in risk corridors payments and more than $195 million in CSR payments. We received $120 million in payments in September 2020, which resolved our risk corridors claim. Our claim seeking recovery for CSR payments remains pending.

Cigna Litigation with Anthem. In February 2017, the Company filed suit against Anthem, Inc. in the Delaware Court of Chancery (the "Chancery Court") seeking, among other relief, payment of the $1.85 billion reverse termination fee under the parties' 2015 merger agreement and damages. Anthem countersued, alleging its own claims for damages. A trial was held during the first quarter of 2019. In August 2020, the Chancery Court issued an opinion finding that, although Cigna breached its contractual obligation to use reasonable best efforts to support the Anthem/Cigna merger, its actions did not cause the merger to fail. The Court denied claims by both parties for damages and further denied Cigna's claim for the reverse termination fee. The Company filed a Notice of Appeal with the Delaware Supreme Court on October 30, 2020, and sought reversal of the portion of the Chancery Court's decision denying Cigna the reverse termination fee. Briefing on the appeal was completed on January 29, 2021 and oral arguments were held on April 14, 2021. On May 3, 2021, the Delaware Supreme Court issued an order affirming the decision of the Chancery Court.

Express Scripts Litigation with Anthem. In March 2016, Anthem filed a lawsuit in the United States District Court for the Southern District of New York alleging various breach of contract claims against Express Scripts relating to the parties' rights and obligations under the periodic pricing review section of the pharmacy benefit management agreement between the parties including allegations that Express Scripts failed to negotiate new pricing concessions in good faith, as well as various alleged service issues. Anthem also requested that the court enter declaratory judgment that Express Scripts is required to provide Anthem competitive benchmark pricing, that Anthem can terminate the agreement and that Express Scripts is required to provide Anthem with post-termination services at

competitive benchmark pricing for one year following any termination by Anthem. Anthem claims it is entitled to $13 billion in additional pricing concessions over the remaining term of the agreement, as well as $1.8 billion for one year following any contract termination by Anthem and $150 million damages for service issues ("Anthem's Allegations"). On April 19, 2016, in response to Anthem's complaint, Express Scripts filed its answer denying Anthem's Allegations in their entirety and asserting affirmative defenses and counterclaims against Anthem. The court subsequently granted Anthem's motion to dismiss two of six counts of Express Scripts' amended counterclaims. The current scheduling order runs through the completion of summary judgment briefing in November 2021. There is no tentative trial date.

Regulatory Matters

Civil Investigative Demand. The U.S. Department of Justice ("DOJ") is conducting industry-wide investigations of Medicare Advantage organizations' risk adjustment practices under Medicare Parts C and D including medical chart reviews and health exams. For certain Medicare Advantage organizations, those investigations have resulted in litigation. The Company has received information requests (civil investigative demands) from the DOJ (U.S. Attorney's Offices for the Eastern District of Pennsylvania and the Southern District of New York ("SDNY")). We are continuing to cooperate with the DOJ and have responded and continue to respond to its requests. Additionally, in relation to the SDNY's investigation, a *qui tam* action that was filed by a relator in the United States District Court for the Southern District of New York in 2017 was unsealed on August 6, 2020. The action asserts claims related to risk adjustment practices arising from certain health exams conducted as part of Cigna's Medicare Advantage business. The DOJ has not intervened in the case at this time.

Note 16 – Segment Information

See Note 1 for a description of our segments. A description of our basis for reporting segment operating results is outlined below. Intersegment revenues primarily reflect pharmacy related transactions between the Evernorth and U.S. Medical segments.

The Company uses "pre-tax adjusted income from operations" and "adjusted revenues" as its principal financial measures of segment operating performance because management believes they best reflect the underlying results of business operations and permit analysis of trends in underlying revenue, expenses and profitability. We define pre-tax adjusted income from operations as income before taxes excluding net realized investment results, amortization of acquired intangible assets and special items. Cigna's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting are also excluded. Special items are matters that management believes are not representative of the underlying results of operations due to their nature or size. Adjusted income (loss) from operations is measured on an after-tax basis for consolidated results and on a pre-tax basis for segment results.

The Company does not report total assets by segment because this is not a metric used to allocate resources or evaluate segment performance.

The Company defines adjusted revenues as total revenues excluding the following adjustments: special items and Cigna's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting. Special items are matters that management believes are not representative of the underlying results of operations due to their nature or size. We exclude these items from this measure because management believes they are not indicative of past or future underlying performance of the business.

The following tables present the special items recorded by the Company for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended				**Six Months Ended**			
(In millions)	**June 30, 2021**		**June 30, 2020**		**June 30, 2021**		**June 30, 2020**	
Description of Special Item Charges (Benefits) and Financial Statement Line Item(s)	**After-tax**	**Before-tax**	**After-tax**	**Before-tax**	**After-tax**	**Before-tax**	**After-tax**	**Before-tax**
Debt extinguishment costs	**$ 9**	**$ 10**	$ 11	$ 14	**$ 110**	**$ 141**	$ 151	$ 199
Integration and transaction-related costs (Selling, general and administrative expenses)	**14**	**16**	99	130	**36**	**45**	173	227
Charges associated with litigation matters (Selling, general and administrative expenses)	**—**	**—**	—	—	**(21)**	**(27)**	19	25
Charge for organizational efficiency plan (Selling, general and administrative expenses)	**—**	**—**	—	—	**—**	**—**	24	31
Contractual adjustment for a former client (Pharmacy revenues)	**—**	**—**	—	—	**—**	**—**	(66)	(87)
Total impact from special items	**$ 23**	**$ 26**	$ 110	$ 144	**$ 125**	**$ 159**	$ 301	$ 395

Summarized segment financial information was as follows:

(In millions)	Evernorth	U.S. Medical	International Markets	Other Operations	Corporate and Eliminations	Total
Three months ended June 30, 2021						
Revenues from external customers	**$ 31,553**	**$ 9,689**	**$ 1,527**	**$ 52**	**$ —**	**$ 42,821**
Inter-segment revenues	**1,034**	**595**	**—**	**—**	**(1,629)**	
Net investment income	**5**	**172**	**55**	**77**	**1**	**310**
Total revenues	**32,592**	**10,456**	**1,582**	**129**	**(1,628)**	**43,131**
Net realized investment results from certain equity method investments	**—**	**—**	**(24)**	**—**	**—**	**(24)**
Adjusted revenues	**$ 32,592**	**$ 10,456**	**$ 1,558**	**$ 129**	**$ (1,628)**	**$ 43,107**
Income (loss) before taxes	**$ 929**	**$ 1,060**	**$ 260**	**$ 19**	**$ (370)**	**$ 1,898**
Pre-tax adjustments to reconcile to adjusted income from operations						
(Income) attributable to noncontrolling interests	**(6)**	**—**	**(5)**	**—**	**—**	**(11)**
Net realized investment (gains) losses	**2**	**(49)**	**(30)**	**(6)**	**—**	**(83)**
Amortization of acquired intangible assets	**488**	**6**	**9**	**—**	**—**	**503**
Special items						
Debt extinguishment costs	**—**	**—**	**—**	**—**	**10**	**10**
Integration and transaction-related costs	**—**	**—**	**—**	**—**	**16**	**16**
Pre-tax adjusted income (loss) from operations	**$ 1,413**	**$ 1,017**	**$ 234**	**$ 13**	**$ (344)**	**$ 2,333**

(In millions)	Evernorth	U.S. Medical	International Markets	Other Operations	Corporate and Eliminations	Total
Three months ended June 30, 2020						
Revenues from external customers	$ 27,714	$ 8,684	$ 1,466	$ 1,178	$ —	$ 39,042
Inter-segment revenues	885	504	—	6	(1,395)	
Net investment income	3	49	26	144	1	223
Total revenues	28,602	9,237	1,492	1,328	(1,394)	39,265
Net realized investment results from certain equity method investments	—	—	(60)	—	—	(60)
Adjusted revenues	$ 28,602	$ 9,237	$ 1,432	$ 1,328	$ (1,394)	$ 39,205
Income (loss) before taxes	$ 771	$ 1,543	$ 390	$ 129	$ (544)	$ 2,289
Pre-tax adjustments to reconcile to adjusted income from operations						
(Income) attributable to noncontrolling interests	(3)	—	(5)	—	—	(8)
Net realized investment (gains) losses	—	(26)	(73)	1	—	(98)
Amortization of acquired intangible assets	481	6	7	2	—	496
Special items						
Debt extinguishment costs	—	—	—	—	14	14
Integration and transaction-related costs	—	—	—	—	130	130
Pre-tax adjusted income (loss) from operations	$ 1,249	$ 1,523	$ 319	$ 132	$ (400)	$ 2,823

(In millions)	Evernorth	U.S. Medical	International Markets	Other Operations	Corporate and Eliminations	Total
Six Months Ended June 30, 2021						
Revenues from external customers	**$ 60,972**	**$ 19,291**	**$ 3,026**	**$ 112**	**$ —**	**$ 83,401**
Inter-segment revenues	**2,232**	**1,105**	**—**	**—**	**(3,337)**	
Net investment income	**8**	**422**	**114**	**156**	**1**	**701**
Total revenues	**63,212**	**20,818**	**3,140**	**268**	**(3,336)**	**84,102**
Net realized investment results from certain equity method investments	**—**	**—**	**(10)**	**—**	**—**	**(10)**
Adjusted revenues	**$ 63,212**	**$ 20,818**	**$ 3,130**	**$ 268**	**$ (3,336)**	**$ 84,092**
Income (loss) before taxes	**$ 1,678**	**$ 2,069**	**$ 486**	**$ 35**	**$ (857)**	**$ 3,411**
Pre-tax adjustments to reconcile to adjusted income from operations						
(Income) attributable to noncontrolling interests	**(11)**	**—**	**(12)**	**—**	**—**	**(23)**
Net realized investment (gains) losses [(1)]	**4**	**(79)**	**3**	**2**	**—**	**(70)**
Amortization of acquired intangible assets	**965**	**14**	**19**	**—**	**—**	**998**
Special items						
Debt extinguishment costs	**—**	**—**	**—**	**—**	**141**	**141**
Integration and transaction-related costs	**—**	**—**	**—**	**—**	**45**	**45**
Charges associated with litigation matters	**—**	**—**	**—**	**—**	**(27)**	**(27)**
Pre-tax adjusted income (loss) from operations	**$ 2,636**	**$ 2,004**	**$ 496**	**$ 37**	**$ (698)**	**$ 4,475**

(In millions)	Evernorth	U.S. Medical	International Markets	Other Operations	Corporate and Eliminations	Total
Six Months Ended June 30, 2020						
Revenues from external customers	$ 53,970	$ 17,952	$ 2,886	$ 2,350	$ —	$ 77,158
Inter-segment revenues	1,859	970	—	11	(2,840)	
Net investment income	28	175	66	306	1	576
Total revenues	55,857	19,097	2,952	2,667	(2,839)	77,734
Net realized investment results from certain equity method investments	—	—	(50)	—	—	(50)
Special item related to contractual adjustment for a former client	(87)	—	—	—	—	(87)
Adjusted revenues	$ 55,770	$ 19,097	$ 2,902	$ 2,667	$ (2,839)	$ 77,597
Income (loss) before taxes	$ 1,465	$ 2,683	$ 624	$ 201	$ (1,287)	$ 3,686
Pre-tax adjustments to reconcile to adjusted income from operations						
(Income) attributable to noncontrolling interests	(7)	—	(10)	—	—	(17)
Net realized investment (gains) losses [(1)]	—	22	(27)	5	—	—
Amortization of acquired intangible assets	960	17	14	3	—	994
Special items						
Debt extinguishment costs	**—**	**—**	**—**	**—**	199	199
Integration and transaction-related costs	**—**	**—**	**—**	**—**	227	227
Charges associated with litigation matters	**—**	**—**	**—**	**—**	25	25
Charge for organizational efficiency plan	**—**	**—**	**—**	**—**	31	31
Contractual adjustment for a former client	(87)	—	**—**	**—**	—	(87)
Pre-tax adjusted income (loss) from operations	$ 2,331	$ 2,722	$ 601	$ 209	$ (805)	$ 5,058

(1) Includes the Company's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting.

Revenue from external customers includes Pharmacy revenues, Premiums and Fees and other revenues. The following table presents these revenues by product, premium and service type for the three and six months ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In millions)	**2021**	**2020**	**2021**	**2020**
Products (Pharmacy revenues) (ASC 606)				
Network revenues	**$ 15,414**	$ 13,090	**$ 29,593**	$ 25,232
Home delivery and specialty revenues	**13,014**	12,183	**25,472**	23,897
Other	**1,619**	1,291	**3,007**	2,533
Total pharmacy revenues	**$ 30,047**	$ 26,564	**$ 58,072**	$ 51,662
Insurance premiums (ASC 944)				
U.S. Medical premiums				
U.S. Commercial				
Health Insurance	**3,578**	3,090	**7,101**	6,551
Stop loss	**1,194**	1,152	**2,388**	2,313
Other	**308**	283	**618**	572
U.S. Government				
Medicare Advantage	**2,116**	1,904	**4,208**	3,785
Medicare Part D	**410**	420	**860**	882
Other	**1,227**	1,063	**2,365**	2,129
Total U.S. Medical premiums	**8,833**	7,912	**17,540**	16,232
International Markets premiums	**1,442**	1,344	**2,892**	2,719
Domestic disability, life and accident premiums	**—**	1,124	**—**	2,240
Other premiums	**48**	26	**105**	55
Total premiums	**10,323**	10,406	**20,537**	21,246
Services (ASC 606)				
Fees	**2,345**	1,979	**4,672**	4,133
Other external revenues	**106**	93	**120**	117
Total services	**2,451**	2,072	**4,792**	4,250
Total revenues from external customers	**$ 42,821**	$ 39,042	**$ 83,401**	$ 77,158

Evernorth may also provide certain financial and performance guarantees, including a minimum level of discounts a client may receive, generic utilization rates and various service levels. Clients may be entitled to receive compensation if we fail to meet the guarantees. Actual performance is compared to the contractual guarantee for each measure throughout the period and the Company defers revenue for any estimated payouts within Accrued expenses and other liabilities (current). These estimates are adjusted at the end of the guarantee period. Historically, adjustments to original estimates have not been material. The performance guarantee liability was $1.0 billion as of June 30, 2021 and $1.1 billion as of December 31, 2020.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide information to assist you in better understanding and evaluating our financial condition as of June 30, 2021 compared with December 31, 2020 and our results of operations for the three and six months ended June 30, 2021, compared with the same periods last year and is intended to help you understand the ongoing trends in our business. We encourage you to read this MD&A in conjunction with our Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2020 ("Form 10-K"). In particular, we encourage you to refer to the "Risk Factors" contained in Part I, Item 1A of the 2020 Form 10-K.

Unless otherwise indicated, financial information in this MD&A is presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"). See Note 2 to the Consolidated Financial Statements in our 2020 Form 10-K for additional information regarding the Company's significant accounting policies and see Note 2 to the Consolidated Financial Statements in this Form 10-Q for updates to those policies resulting from adopting new accounting guidance, if any. The preparation of interim consolidated financial statements necessarily relies heavily on estimates. This and certain other factors call for caution in estimating full-year results based on interim results of operations. In some of our financial tables in this MD&A, we present either percentage changes or "N/M" when those changes are so large as to become not meaningful. Changes in percentages are expressed in basis points ("bps").

In this MD&A, our consolidated measures "adjusted income from operations," earnings per share on that same basis and "adjusted revenues" are not determined in accordance with GAAP and should not be viewed as substitutes for the most directly comparable GAAP measures of "shareholders' net income," "earnings per share" and "total revenues." We also use pre-tax adjusted income from operations and adjusted revenues to measure the results of our segments.

The Company uses "pre-tax adjusted income from operations" and "adjusted revenues" as its principal financial measures of segment operating performance because management believes they best reflect the underlying results of business operations and permit analysis of trends in underlying revenue, expenses and profitability. We define adjusted income from operations as shareholders' net income (or income before taxes for the segment metric) excluding net realized investment results, amortization of acquired intangible assets and special items. Cigna's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting are also excluded. Special items are matters that management believes are not representative of the underlying results of operations due to their nature or size. Adjusted income (loss) from operations is measured on an after-tax basis for consolidated results and on a pre-tax basis for segment results. Consolidated adjusted income (loss) from operations is not determined in accordance with GAAP and should not be viewed as a substitute for the most directly comparable GAAP measure, shareholders' net income. See the below Financial Highlights section for a reconciliation of consolidated adjusted income from operations to shareholders' net income.

The Company defines adjusted revenues as total revenues excluding the following adjustments: special items and Cigna's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting. Special items are matters that management believes are not representative of the underlying results of operations due to their nature or size. We exclude these items from this measure because management believes they are not indicative of past or future underlying performance of the business. Adjusted revenues is not determined in accordance with GAAP and should not be viewed as a

substitute for the most directly comparable GAAP measure, total revenues. See the below Financial Highlights section for a reconciliation of consolidated adjusted revenues to total revenues.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on Cigna's current expectations and projections about future trends, events and uncertainties. These statements are not historical facts. Forward-looking statements may include, among others, statements concerning future financial or operating performance, including our ability to deliver affordable, personalized and innovative solutions for our customers and clients, including in light of the challenges presented by the COVID-19 pandemic; future growth, business strategy, strategic or operational initiatives; economic, regulatory or competitive environments, particularly with respect to the pace and extent of change in these areas; financing or capital deployment plans and amounts available for future deployment; our prospects for growth in the coming years; strategic transactions; and other statements regarding Cigna's future beliefs, expectations, plans, intentions, liquidity, cash flows, financial condition or performance. You may identify forward-looking statements by the use of words such as "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "may," "should," "will" or other words or expressions of similar meaning, although not all forward-looking statements contain such terms.

Forward-looking statements are subject to risks and uncertainties, both known and unknown, that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Such risks and uncertainties include, but are not limited to: our ability to achieve our strategic and operational initiatives; our ability to adapt to changes in an evolving and rapidly changing industry; the scale, scope and duration of the COVID-19 pandemic and its potential impact on our business, operating results, cash flows or financial condition, our ability to compete effectively, differentiate our products and services from those of our competitors and maintain or increase market share; price competition and other pressures that could compress our margins or result in premiums that are insufficient to cover the cost of services delivered to our customers; the potential for actual claims to exceed our estimates related to expected medical claims; our ability to develop and maintain satisfactory relationships with physicians, hospitals, other health service providers and with producers and consultants; our ability to maintain relationships with one or more key pharmaceutical manufacturers or if payments made or discounts provided decline; changes in the pharmacy provider marketplace or pharmacy networks; changes in drug pricing or industry pricing benchmarks; political, legal, operational, regulatory, economic and other risks that could affect our multinational operations; risks related to strategic transactions and realization of the expected benefits of such transactions, as well as integration difficulties or underperformance relative to expectations; dependence on success of relationships with third parties; risk of significant disruption within our operations or among key suppliers or third parties; our ability to invest in and properly maintain our information technology and other business systems; our ability to prevent or contain effects of a potential cyberattack or other privacy or data security incident; potential liability in connection with managing medical practices and operating pharmacies, onsite clinics and other types of medical facilities; the substantial level of government regulation over our business and the potential effects of new laws or regulations or changes in existing laws or regulations; uncertainties surrounding participation in government-sponsored programs such as Medicare; the outcome of litigation, regulatory audits, investigations; compliance with applicable privacy, security and data laws, regulations and standards; potential failure of our prevention, detection and control systems; unfavorable economic and market conditions, stock market or interest rate declines, risks related to a downgrade in financial strength ratings of our insurance subsidiaries; the impact of our significant indebtedness and the potential for further indebtedness in the future; unfavorable industry, economic or political conditions; credit risk related to our reinsurers; as well as more specific risks and uncertainties discussed in Part I, Item 1A – Risk Factors of our 2020 Form 10-K, Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations of our 2020 Form 10-K, this MD&A and as described from time to time in our future reports filed with the Securities and Exchange Commission (the "SEC").

You should not place undue reliance on forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance or results and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Cigna undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law.

EXECUTIVE OVERVIEW

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 with a mission of helping those we serve improve their health, well-being and peace of mind by making health care simple, affordable and predictable. Our subsidiaries offer a differentiated set of pharmacy, medical, dental and related products and services. For further information on our business and strategy, see Item 1, "Business" in our 2020 Form 10-K.

Financial Highlights

See Note 1 to the Consolidated Financial Statements for a description of our segments. The commentary provided below describes our results for the three and six months ended June 30, 2021 compared with the same periods in 2020. Unless specified otherwise, commentary applies to both the three and six month periods.

Summarized below are certain key measures of our performance by segment for the three and six months ended June 30, 2021 and 2020:

Financial highlights by segment

	Three Months Ended June 30,			Six Months Ended June 30,		
(Dollars in millions, except per share amounts)	**2021**	**2020**	**% Change**	**2021**	**2020**	**% Change**
Revenues						
Adjusted revenues by segment						
Evernorth	**$ 32,592**	$ 28,602	14 %	**$ 63,212**	$ 55,770	13 %
U.S. Medical	**10,456**	9,237	13	**20,818**	19,097	9
International Markets	**1,558**	1,432	9	**3,130**	2,902	8
Other Operations	**129**	1,328	(90)	**268**	2,667	(90)
Corporate, net of eliminations	**(1,628)**	(1,394)	(17)	**(3,336)**	(2,839)	(18)
Adjusted revenues	**43,107**	39,205	10	**84,092**	77,597	8
Net realized investment results from certain equity method investments	**24**	60	(60)	**10**	50	(80)
Special items	**—**	—	N/M	**—**	87	N/M
Total revenues	**$ 43,131**	$ 39,265	10 %	**$ 84,102**	$ 77,734	8 %
Shareholders' net income	**$ 1,467**	$ 1,754	(16) %	**$ 2,628**	$ 2,935	(10) %
Adjusted income from operations	**$ 1,808**	$ 2,152	(16) %	**$ 3,472**	$ 3,910	(11) %
Earnings per share (diluted)						
Shareholders' net income	**$ 4.25**	$ 4.73	(10) %	**$ 7.54**	$ 7.88	(4) %
Adjusted income from operations	**$ 5.24**	$ 5.81	(10) %	**$ 9.96**	$ 10.49	(5) %
Pre-tax adjusted income (loss) from operations by segment						
Evernorth	**$ 1,413**	$ 1,249	13 %	**$ 2,636**	$ 2,331	13 %
U.S. Medical	**1,017**	1,523	(33)	**2,004**	2,722	(26)
International Markets	**234**	319	(27)	**496**	601	(17)
Other Operations	**13**	132	(90)	**37**	209	(82)
Corporate, net of eliminations	**(344)**	(400)	14	**(698)**	(805)	13
Consolidated pre-tax adjusted income from operations	**2,333**	2,823	(17)	**4,475**	5,058	(12)
Income attributable to noncontrolling interests	**11**	8	38	**23**	17	35
Net realized investment gains (losses) [(1)]	**83**	98	(15)	**70**	—	N/M
Amortization of acquired intangible assets	**(503)**	(496)	(1)	**(998)**	(994)	—
Special items	**(26)**	(144)	82	**(159)**	(395)	60
Income before income taxes	**$ 1,898**	$ 2,289	(17) %	**$ 3,411**	$ 3,686	(7) %

(1) Includes the Company's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting.

For further analysis and explanation of each segment's results, see the "Segment Reporting" section of this MD&A.

Consolidated Results of Operations (GAAP basis)

(Dollars in millions)	Three Months Ended June 30, 2021	2020	% Change	Six Months Ended June 30, 2021	2020	% Change
Pharmacy revenues	**$ 30,047**	$ 26,564	13 %	**$ 58,072**	$ 51,662	12 %
Premiums	**10,323**	10,406	(1)	**20,537**	21,246	(3)
Fees and other revenues	**2,451**	2,072	18	**4,792**	4,250	13
Net investment income	**310**	223	39	**701**	576	22
Total revenues	**43,131**	39,265	10	**84,102**	77,734	8
Pharmacy and other service costs	**29,001**	25,611	13	**56,236**	49,801	13
Medical costs and other benefit expenses	**8,484**	7,112	19	**16,489**	15,434	7
Selling, general and administrative expenses	**2,996**	3,407	(12)	**6,275**	6,805	(8)
Amortization of acquired intangible assets	**503**	496	1	**998**	994	—
Total benefits and expenses	**40,984**	36,626	12	**79,998**	73,034	10
Income from operations	**2,147**	2,639	(19)	**4,104**	4,700	(13)
Interest expense and other	**(298)**	(374)	20	**(612)**	(765)	20
Debt extinguishment costs	**(10)**	(14)	29	**(141)**	(199)	29
Net realized investment gains (losses)	**59**	38	55	**60**	(50)	N/M
Income before income taxes	**1,898**	2,289	(17)	**3,411**	3,686	(7)
Total income taxes	**422**	529	(20)	**764**	737	4
Net income	**1,476**	1,760	(16)	**2,647**	2,949	(10)
Less: Net income attributable to noncontrolling interests	**9**	6	50	**19**	14	36
Shareholders' net income	**$ 1,467**	$ 1,754	(16) %	**$ 2,628**	$ 2,935	(10) %
Consolidated effective tax rate	**22.2 %**	23.1 %	(90) bps	**22.4 %**	20.0 %	240 bps
Medical customers (in thousands)						
U.S. Medical				**15,244**	15,415	(1) %
International Markets				**1,708**	1,668	2
Total				**16,952**	17,083	(1) %

Reconciliation of Shareholders' Net Income (GAAP) to Adjusted Income from Operations

	Dollars in Millions				Diluted Earnings Per Share			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020	2021	2020	2021	2020
Shareholders' net income	**$ 1,467**	$ 1,754	**$ 2,628**	$ 2,935	**$ 4.25**	$ 4.73	**$ 7.54**	$ 7.88
After-tax adjustments required to reconcile to adjusted income from operations								
Net realized investment (gains) losses [1]	**(70)**	(88)	**(57)**	(11)	**(0.20)**	(0.24)	**(0.16)**	(0.03)
Amortization of acquired intangible assets	**388**	376	**776**	685	**1.12**	1.02	**2.22**	1.84
Special items								
Debt extinguishment costs	**9**	11	**110**	151	**0.03**	0.03	**0.32**	0.41
Integration and transaction-related costs	**14**	99	**36**	173	**0.04**	0.27	**0.10**	0.46
Charges associated with litigation matters	**—**	—	**(21)**	19	**—**	—	**(0.06)**	0.05
Charge for organizational efficiency plan	**—**	—	**—**	24	**—**	—	**—**	0.06
Contractual adjustment for a former client	**—**	—	**—**	(66)	**—**	—	**—**	(0.18)
Total special items	**23**	110	**125**	301	**0.07**	0.30	**0.36**	0.80
Adjusted income from operations	**$ 1,808**	$ 2,152	**$ 3,472**	$ 3,910	**$ 5.24**	$ 5.81	**$ 9.96**	$ 10.49

(1) Includes the Company's share of certain realized investment results of its joint ventures reported in the International Markets segment using the equity method of accounting.

COVID-19 Update

Cigna continues to closely monitor the evolving dynamics of the COVID-19 pandemic including the evolving variants, and remains focused on the safety and service of our customers, clients, employees and partners. We continue to take steps to increase vaccinations by enabling, educating and encouraging vaccine acceptance. We launched the Community of Immunity initiative to engage communities where we live and work. We are offering onsite vaccinations for clients that have Employer Worksite Health Centers. To help enable the vaccination of seniors age 65+ in America's most at-risk, underserved communities, we are participating in the industry Vaccine Community Connectors (VCC) initiative.

These efforts are part of Cigna's broad range of initiatives to encourage and expand access to COVID-19 vaccines, including transportation to vaccine appointments at no cost for most Medicare Advantage customers, paid time off for Cigna employees to get vaccinated and an incentive award for employees enrolled in our medical plan who are fully vaccinated.

To help meet growing mental health needs exacerbated by the pandemic, Cigna continues to expand the innovative behavioral health services available to its customers. Beginning in April 2021, Cigna's behavioral health customers with commercial health care plans have access to in-network, on-demand behavioral health coaching, therapy and psychiatry services. Cigna also continues to provide supportive resources for all customers, clients and communities for managing anxiety, fear, stress and improving resiliency during COVID-19.

The COVID-19 pandemic has pervasively impacted the economy, financial markets and the global health care delivery systems. For the second quarter of 2021, COVID-19 impacts are most notable in our U.S. Medical segment with net unfavorable COVID-19 related impacts as compared with the same period in 2020 when we experienced the most significant reduction to consumption of medical care, a portion of which was deferred care. The unfavorable COVID-19 related impacts include the resumption of medical care to near pre-COVID-19 levels during the second quarter of 2021, increased direct costs of COVID-19 testing, treatment and vaccines in 2021, lower risk adjusted revenues in our Medicare Advantage business and increased disenrollment resulting from the economic effects of the pandemic. These impacts were partially offset by the absence of the premium relief programs for clients implemented in the second quarter of 2020 in response to significantly lower than historical utilization as individuals deferred care due to the COVID-19 pandemic. As compared with the three months ended March 31, 2021 the net unfavorable impacts of COVID-19 increased reflecting less deferral of care, partially offset by lower direct costs for testing and treatment.

We continue to execute our business continuity plans over our operations such as optimizing purchasing volume across the pharmaceutical supply chain in order to mitigate risk associated with prescription drug supply.

The situation surrounding COVID-19 remains fluid with continued uncertainty and a wide range of potential outcomes. We continue to actively manage our response and assess impacts to our financial position and operating results, as well as mitigate adverse developments in our business. There continues to be elevated uncertainty surrounding the pace, duration and extent of the COVID-19 pandemic and its related impacts — including the vaccination efforts and new COVID-19 variants — on our results for the remainder of 2021 and beyond. We believe that such financial results may continue to be impacted by, among other things, vaccine related costs, higher medical costs to treat those affected by the virus, lower customer volumes due to elevated unemployment, lower risk adjustment revenue due to disrupted care impeding appropriate documentation of customer risk profiles in our Medicare Advantage business, the pace at which costs return as well as the severity of costs for those who had previously deferred care, the potential for future deferral of care, or volatility in the economic markets.

Cigna has taken actions to enhance our liquidity that, combined with our other sources of liquidity described in the "Liquidity and Capital Resources Outlook" section below, and our current projections for operating cash flows, we believe are sufficient to support our operations and meet our obligations.

Segment results are discussed further in the "Segment Reporting" section of this MD&A and discussion of the impact of COVID-19 on our investment portfolio and related considerations regarding our investment outlook can be found in Note 9 to the Consolidated Financial Statements and in the "Investment Assets" discussion of this MD&A.

For further information regarding the potential impact of COVID-19 on the Company, see "Risk Factors" contained in Part I, Item 1A of our 2020 Form 10-K.

Commentary: Three and Six Months Ended June 30, 2021 versus Three and Six Months Ended June 30, 2020

The commentary presented below, and in the segment discussions that follow, compare results for the three and six months ended June 30, 2021 with results for the three and six months ended June 30, 2020. Unless otherwise specified, commentary applies to both the three and six month periods.

Shareholders' net income decreased, driven by lower adjusted income from operations (see below) and, for the six months ended June 30, the absence of certain favorable tax benefits reported in the first quarter of 2020.

Adjusted income from operations decreased, primarily resulting from lower earnings in U.S. Medical due to net unfavorable COVID-19 related impacts. See the "U.S. Medical segment" section of this MD&A for further information. The absence of earnings due to the sale of the Group Disability and Life business also contributed to the decrease. These declines were partially offset by increased earnings in the Evernorth segment primarily attributable to effective management of supply chain and business growth.

Medical customers declined slightly, reflecting a lower customer base in our National Accounts and Middle Markets segments including disenrollment resulting from the economic impacts of the COVID-19 pandemic; partially offset by growth in our Select, Individual and Medicare Advantage businesses.

Pharmacy revenues increased, reflecting strong business and customer growth. See the "Evernorth segment" section of this MD&A for further discussion of Pharmacy revenues.

Premiums were lower, reflecting the effect of the sale of the Group Disability and Life business. This effect was partially offset by an increase in U.S. Medical premiums resulting from the absence of premium relief programs implemented in the second quarter of 2020 in response to deferred care due to the COVID-19 pandemic, increased customers in our insured businesses and higher premium rates due to anticipated underlying medical cost trend.

Fees and other revenues increased, primarily driven by growth in Evernorth's pharmacy services business.

Net investment income increased due to strong returns on our partnership investments, partially offset by lower average assets due to the sale of the Group Disability and Life business. See the "Investment Assets" section of this MD&A for further discussion.

Pharmacy and other service costs increased, reflecting strong business and customer growth.

Medical costs and other benefit expenses increased, primarily reflecting the absence of deferred care as well as higher costs of COVID-19 treatment, testing and vaccines and customer growth in our insured businesses. These unfavorable effects were partially offset by the sale of the Group Disability and Life business.

Selling, general and administrative expenses decreased, primarily resulting from the sale of the Group Disability and Life business, lower integration and transaction-related costs, the elimination of the health insurance industry tax and the impact of favorable litigation developments.

Interest expense and other decreased due to lower levels of average outstanding debt resulting from debt repayments.

Debt extinguishment costs were lower because the debt repaid in 2021 had lower interest rates than the debt repaid in 2020.

Realized investment results significantly improved for the six months ended June 30, 2021 compared with the same period last year due to favorable market value adjustments on equity securities in 2021 compared with 2020 and lower credit loss reserves on debt securities.

Effective tax rate. The decrease for the three months ended June 30, 2021 compared with the same period last year primarily reflects the repeal of the nondeductible health insurance industry tax in 2021. For the six months ended June 30, 2021, the effective tax rate was higher than the same period last year, driven by recognition of certain incremental federal and state tax benefits in the first quarter of 2020, partially offset by the repeal of the nondeductible health insurance industry tax in 2021.

Developments

Purchase of MDLIVE

As discussed in Note 4 to the Consolidated Financial Statements, on April 19, 2021 Cigna's Evernorth segment completed the acquisition of MDLIVE, Inc., a 24/7 virtual care platform. The acquisition of MDLIVE will enable Evernorth to continue expanding access to virtual care and delivering a more affordable, convenient and connected care experience for consumers. The “Liquidity and Capital Resources” section of this MD&A provides discussion of the impact of this transaction to liquidity.

Sale of Group Disability and Life Business

As discussed in Note 4 to the Consolidated Financial Statements, Cigna sold its U.S. Group Disability and Life business to New York Life Insurance Company for $6.2 billion on December 31, 2020. The “Liquidity and Capital Resources” section of this MD&A provides discussion of the use of proceeds from this divestiture.

Regulation

The "Business - Regulation" section of our 2020 Form 10-K provides a detailed description of The Patient Protection and Affordable Care Act (“ACA”) provisions and other legislative initiatives that impact our businesses, including regulations issued by the Centers for Medicare & Medicaid Services (“CMS”) and the Departments of the Treasury and Health and Human Services. Our businesses continue to operate in a dynamic environment, and the laws and regulations applicable to us, including the ACA, continue to be subject to legislative, regulatory and judicial challenges.

The Patient Protection and Affordable Care Act (ACA)

ACA Litigation: As described in the “Business - Regulation” section of our 2020 Form 10-K, a federal district court ruled that the “individual mandate” in the ACA is unconstitutional and that the entire law must be struck down. On appeal, the Court of Appeals for the Fifth Circuit agreed that the “individual mandate” is unconstitutional but ordered the district court to reexamine whether the other provisions of the ACA can remain in effect, thereby leaving in doubt whether the entire ACA is unconstitutional until there is a final judicial determination on appeal. The California-led states and the U.S. House of Representatives filed petitions seeking to appeal the Fifth Circuit's ruling to the U.S. Supreme Court. The case was argued before the Supreme Court on November 10, 2020. On June 17, 2021, the Supreme Court issued its decision, upholding the ACA in its entirety. There are no changes to our business as a result of the decision.

Cost-Sharing Reduction Subsidies: The ACA provides for cost-sharing reductions that offset the amount that qualifying customers pay for deductibles, copays and coinsurance. The federal government stopped funding insurers for the cost-sharing reduction ("CSR”) subsidies in 2017. Certain insurers have sued the federal government for failure to pay cost-sharing reduction subsidies. In the first set of consolidated appeals, the Court of Appeals for the Federal Circuit issued a decision on August 14, 2020, finding that (i) the CSR reimbursement provision of the ACA imposes an obligation on the government to pay, but (ii) the insurers' damages must be reduced by the amount of additional premium tax credit payments that each insurer received as a result of the government’s termination of CSR payments. On February 19, 2021 two insurers filed a petition seeking Supreme Court review. On June 21, 2021, the Supreme Court declined the insurers’ petitions, which means the decision from the Court of Appeals for the Federal Circuit stands and will not be modified further. As described in Note 15 to the Consolidated Financial Statements, we filed a lawsuit in May 2020 against the federal government seeking payment of these subsidies. Our case remains pending. Our premium rates for the 2018, 2019, 2020 and 2021 plan years reflected a lack of government funding for cost-sharing reduction subsidies.

Corporate Tax Reform. Recent proposals related to corporate tax reform propose raising corporate tax rates, among other things. While it is unclear whether recent proposals will be enacted in their current form, the proposed increases in corporate tax rates could have a material impact on our future results of operations and, in the period of enactment, both our results of operations and financial condition. We will continue to monitor developments.

Medicare Part D Rebate Rule. As disclosed in the “Regulation” section of our 2020 Form 10-K, the United States Department of Health and Human Services (“HHS”) and the HHS Office of Inspector General (“HHS-OIG”) released a final rule in November 2020 which eliminated an anti-kickback regulatory safe harbor protection for price concessions, including rebates, that are offered by pharmaceutical manufacturers to plan sponsors or pharmacy benefit managers under the Medicare Part D program and created two new safe harbors. The two new safe harbors cover (i) price reductions by manufacturers to plan sponsors under Medicare Part D and Medicaid managed care organizations that are reflected at the time of dispense and (ii) fixed-fee service arrangements between manufacturers and pharmacy benefit managers. HHS previously delayed the elimination of the aforementioned regulatory safe harbor to January 1, 2023 and, in March 2021, HHS-OIG delayed the effective date for the two new safe harbors to January 1, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We maintain liquidity at two levels: the subsidiary level and the parent company level.

Cash requirements at the subsidiary level generally consist of:

- pharmacy, medical costs and other benefit payments;
- expense requirements, primarily for employee compensation and benefits, information technology and facilities costs;
- income taxes; and
- debt service.

Our subsidiaries normally meet their liquidity requirements by:

- maintaining appropriate levels of cash, cash equivalents and short-term investments;
- using cash flows from operating activities;
- matching investment durations to those estimated for the related insurance and contractholder liabilities;
- selling investments; and
- borrowing from affiliates, subject to applicable regulatory limits.

Cash requirements at the parent company level generally consist of:

- debt service;
- payment of declared dividends to shareholders;
- lending to subsidiaries as needed; and
- pension plan funding.

The parent company normally meets its liquidity requirements by:

- maintaining appropriate levels of cash and various types of marketable investments;
- collecting dividends from its subsidiaries;
- using proceeds from issuing debt and common stock; and
- borrowing from its subsidiaries, subject to applicable regulatory limits.

Dividends from our insurance, Health Maintenance Organization ("HMO") and certain foreign subsidiaries are subject to regulatory restrictions. See Note 19 to the Consolidated Financial Statements in our 2020 Form 10-K for additional information regarding these restrictions. Most of Evernorth's subsidiaries are not subject to regulatory restrictions regarding dividends and therefore provide significant financial flexibility to Cigna.

Cash flows for the six months ended June 30 were as follows:

	Six Months Ended June 30,	
(In millions)	**2021**	**2020**
Operating activities	**$ 797**	$ 5,161
Investing activities	**$ (3,024)**	$ (506)
Financing activities	**$ (4,113)**	$ (2,130)

The following discussion explains variances in the various categories of cash flows for the six months ended June 30, 2021 compared with the same period in 2020.

Operating activities

Cash flows from operating activities consist principally of cash receipts and disbursements for pharmacy revenues and costs, premiums, fees, investment income, taxes, benefit costs and other expenses.

Cash flows from operating activities decreased, primarily driven by higher tax payments including approximately $800M related to the gain on sale of the Group Disability and Life business, timing of payable and accrued liabilities and increases in accounts receivable

due to higher pharmacy claim volume and business growth. 2020 operating cash flow reflected the deferral of approximately $900M of income and payroll tax payments as permitted under the CARES Act and COVID-19 related Regulatory actions.

Investing and Financing activities

Cash flows used in investing activities increased, primarily due to acquisition of MDLIVE and lower investment sale activity.

Cash used in financing activities increased, primarily due to higher stock repurchases and an increase in dividends paid. Cash used in financing activities also includes proceeds from debt issuances offset by the repayment of long-term debt and commercial paper borrowings.

We maintain a share repurchase program authorized by our Board of Directors, under which we may repurchase shares of our common stock from time to time. The timing and actual number of shares repurchased will depend on a variety of factors including price, general business and market conditions and alternate uses of capital. The share repurchase program may be effected through open market purchases in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended, including through Rule 10b5-1 trading plans or privately negotiated transactions. The program may be suspended or discontinued at any time.

For the six months ended June 30, 2021, we repurchased 16.3 million shares for approximately $3.7 billion. From July 1, 2021 through August 4, 2021, we repurchased 1.7 million shares for approximately $400 million. Share repurchase authority was $3.8 billion as of August 4, 2021.

Capital Resources

Our capital resources consist primarily of cash, cash equivalents and investments maintained at regulated subsidiaries required to underwrite insurance risks, cash flows from operating activities, our commercial paper program, credit agreements and the issuance of long-term debt and equity securities. Our businesses generate significant cash flow from operations, some of which is subject to regulatory restrictions relative to the amount and timing of dividend payments to parent. Dividends from U.S. regulated subsidiaries were $1.3 billion and $1.1 billion for the six months ended June 30, 2021 and 2020, respectively. Nonregulated subsidiaries also generate significant cash flow from operating activities, which is typically available immediately to parent for general corporate purposes.

We prioritize our use of capital resources to:

- Invest in capital expenditures, primarily related to technology to support innovative solutions for our customers, provide the capital necessary to maintain or improve the financial strength ratings of subsidiaries and to repay debt and fund pension obligations if necessary;
- pay dividends to shareholders;
- consider acquisitions that are strategically and economically advantageous; and
- return capital to shareholders through share repurchases.

At June 30, 2021, our debt-to-capitalization ratio was 40.5%, an increase from 39.5% at December 31, 2020.

MDLIVE Acquisition. In April 2021, Cigna completed its acquisition of MDLIVE, Inc. We funded this acquisition with cash on hand and commercial paper borrowings.

Group Disability and Life Sale. In connection with the sale of this business that closed on December 31, 2020, we deployed approximately $3.0 billion to debt repayment by: (i) repaying in full our $1.4 billion 364-Day Term Loan Credit Agreement entered into on April 1, 2020, on December 31, 2020; (ii) redeeming in full the $1.0 billion aggregate principal amount of Cigna's Senior Floating Rate Notes due 2021 on January 15, 2021 at a redemption price calculated in accordance with the terms and conditions of the indenture governing the Notes; and (iii) repaying certain balances of our outstanding commercial paper in January 2021.

Commercial Paper Program. Cigna also maintains a commercial paper program and may issue short-term, unsecured commercial paper notes privately placed on a discount basis through certain broker dealers at any time not to exceed an aggregate amount of $4.25 billion as of June 30, 2021. The net proceeds of issuances have been and are expected to be used for general corporate purposes. In July 2021, our commercial paper program size was increased to $5.0 billion.

Revolving Credit Agreements. Our revolving credit agreements provide us with the ability to borrow amounts for general corporate purposes, including for the purpose of providing liquidity support if necessary under our commercial paper program discussed above.

Cigna's revolving credit agreements include a $3.0 billion five-year revolving credit and letter of credit agreement that expires in April 2026; a $1.0 billion three-year revolving credit agreement that expires in April 2024; and a $1.0 billion 364-day revolving credit agreement that will expire in April 2022.

See Note 6 to the Consolidated Financial Statements for further information on our credit agreements and commercial paper program.

Our capital management strategy to support the liquidity and regulatory capital requirements of our foreign operations and certain international growth initiatives is to retain overseas a significant portion of the earnings generated by our foreign operations. This strategy does not materially limit our ability to meet our liquidity and capital needs in the United States.

Liquidity and Capital Resources Outlook

We maintain sufficient liquidity to meet our cash needs through our cash and cash equivalents balances, cash flows from operations, commercial paper program, credit agreements and the issuance of long-term debt and equity securities. As of June 30, 2021, we had $5.0 billion of undrawn committed capacity under our revolving credit agreements (these amounts are available for general corporate purposes, including providing liquidity support for our commercial paper program), $2.7 billion of remaining capacity under our commercial paper program and $4.2 billion in cash and short-term investments, approximately $700 million of which was held by the parent company or certain nonregulated subsidiaries. We actively monitor our debt obligations and engage in issuance or redemption activities as needed in accordance with our capital management strategy. A description of our outstanding debt can be found in Note 6 to the Consolidated Financial Statements.

In the first and second quarter of 2021 Cigna declared and paid quarterly cash dividends of $1.00 per share of Cigna common stock. On July 28, 2021 the Board of Directors declared a quarterly cash dividend of $1.00 per share of Cigna common stock to be paid on September 23, 2021 to shareholders of record on September 8, 2021. Cigna currently intends to pay regular quarterly dividends, with future declarations subject to approval by its Board of Directors and the Board's determination that the declaration of dividends remains in the best interests of Cigna and its shareholders. The decision of whether to pay future dividends and the amount of any such dividends will be based on the Company's financial position, results of operations, cash flows, capital requirements, the requirements of applicable law and any other factors the Board of Directors may deem relevant.

Risks to our liquidity and capital resources outlook include cash projections that may not be realized and the demand for funds could exceed available cash if our ongoing businesses experience unexpected shortfalls in earnings or we experience material adverse effects from one or more risks or uncertainties described more fully in the "Risk Factors" section of our 2020 Form 10-K. Though we believe we have adequate sources of liquidity, significant disruption or volatility in the capital and credit markets could affect our ability to access those markets for additional borrowings or increase costs. In addition to the sources of liquidity discussed above, the parent company can borrow an additional $1.2 billion from its subsidiaries without further approvals as of June 30, 2021.

Guarantees and Contractual Obligations

We are contingently liable for various contractual obligations entered into in the ordinary course of business. See Note 15 to the Consolidated Financial Statements for discussion of various guarantees.

We have updated long-term debt obligations and purchase obligations as of June 30, 2021 which were previously provided in our 2020 Form 10-K. Investment commitments are described in Note 9 to the Consolidated Financial Statements. There have been no material changes to other information presented in our table of guarantees and contractual obligations set forth in our 2020 Form 10-K.

(In millions, on an undiscounted basis)	Total	2021	2022 to 2023	2024 to 2025	Thereafter
On-Balance Sheet					
Long-term debt [1]	**$ 48,805**	**$ 625**	**$ 5,876**	**$ 6,735**	**$ 35,569**
Off-Balance Sheet					
Purchase Obligations	**$ 3,607**	**$ 1,230**	**$ 1,555**	**$ 545**	**$ 277**

(1) Amounts include scheduled interest payments, current maturities of long-term debt and finance leases.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures in the Consolidated Financial Statements. Management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and

- changes in the estimate or different estimates that could have been selected could have a material effect on our consolidated results of operations or financial condition.

Management has discussed how critical accounting estimates are developed and selected with the Audit Committee of our Board of Directors and the Audit Committee has reviewed the disclosures presented in the 2020 Form 10-K. We regularly evaluate items that may impact critical accounting estimates.

Our most critical accounting estimates, as well as the effect of hypothetical changes in material assumptions used to develop each estimate, are described in the 2020 Form 10-K. As of June 30, 2021, there were no significant changes to the critical accounting estimates from what was reported in our 2020 Form 10-K.

SEGMENT REPORTING

The following section of this MD&A discusses the results of each of our segments. See Note 1 to the Consolidated Financial Statements for a description of our segments.

In segment discussions, we present adjusted revenues and "pre-tax adjusted income from operations," defined as income before taxes excluding realized investment gains (losses), amortization of acquired intangible assets and special items. Ratios presented in this segment discussion exclude the same items as pre-tax adjusted income from operations. See Note 16 to the Consolidated Financial Statements for additional discussion of these metrics and a reconciliation of income before income taxes to pre-tax adjusted income from operations, as well as a reconciliation of total revenues to adjusted revenues. Note 16 to the Consolidated Financial Statements also explains that segment revenues include both external revenues and sales between segments that are eliminated in Corporate.

In these segment discussions, we also present "pre-tax adjusted margin," defined as pre-tax adjusted income from operations divided by adjusted revenues.

Evernorth Segment

Evernorth includes a broad range of coordinated and point solution health services, including pharmacy solutions, benefits management solutions, care solutions and intelligence solutions. As described in the introduction to Segment Reporting, Evernorth performance is measured using the below metrics:

- Adjusted gross profit and pre-tax adjusted income from operations, which exclude the impact of special items.
- Adjusted pharmacy script volume is calculated by multiplying the total non-specialty network scripts filled through 90-day programs and home delivery scripts by three and counting all other network and specialty scripts as one script.
- Generic fill rate is defined as the total number of generic scripts divided by the total overall scripts filled. Generally, higher generic fill rates reduce revenues, as generic drugs are typically priced lower than the branded drugs they replace. However, as ingredient cost paid to pharmacies on generic drugs is incrementally lower than the price charged to our clients, higher generic fill rates generally have a favorable impact on our gross profit. The home delivery generic fill rate is currently lower than the network generic fill rate as fewer generic substitutions are available among maintenance medications (such as therapies for chronic conditions) commonly dispensed from home delivery pharmacies as compared to acute medications that are primarily dispensed by pharmacies in our retail networks.

The key factors that impact Evernorth revenues and costs of revenues are volume, mix of claims and price. These key factors are discussed further below. See Note 3 to the Consolidated Financial Statements included in our 2020 Form 10-K for additional information on revenue and cost recognition policies for this segment.

- As our clients' claim volumes increase or decrease, our resulting revenues and cost of revenues correspondingly increase or decrease. Our gross profit could also increase or decrease as a result of changes in purchasing discounts.
- The mix of claims generally considers the type of drug and distribution method used for dispensing and fulfilling. Types of drugs can have an impact on our pharmacy revenues, pharmacy and other service costs and gross profit, including amounts payable under certain financial and performance guarantees with our clients. In addition to the types of drugs, the mix of generic claims (i.e., generic fill rate) also impacts our gross profit. Furthermore, our gross profit differs among network, home delivery and specialty distribution methods and can impact our profitability.
- Our client contract pricing is impacted by our ongoing ability to negotiate supply chain contracts for pharmacy network, pharmaceutical and wholesaler purchasing and manufacturer rebates. As we seek to improve the effectiveness of our integrated solutions for the benefit of our clients, we are continuously innovating and optimizing the supply chain. Our gross profit could also increase or decrease as a result of supply chain initiatives implemented. Inflation also impacts our pricing because most of our contracts provide that we bill clients and pay pharmacies based on a generally recognized price index for pharmaceuticals. Therefore, the rate of inflation for prescription drugs and our efforts to manage this inflation for our clients can affect our revenues and cost of revenues.

In this MD&A, we present revenues and gross profit, as well as adjusted revenues and adjusted gross profit, consistent with our segment reporting metrics, which exclude special items.

Results of Operations

Financial Summary *(Dollars in millions)*	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change Favorable (Unfavorable)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change Favorable (Unfavorable)
Total revenues	**$ 32,592**	$ 28,602	14 %	**$ 63,212**	$ 55,857	13 %
Less: Contractual adjustment for a former client	**—**	—	N/M	**—**	(87)	N/M
Adjusted revenues[1]	**$ 32,592**	$ 28,602	14	**$ 63,212**	$ 55,770	13
Gross profit	**$ 2,075**	$ 1,781	17	**$ 3,918**	$ 3,482	13
Adjusted gross profit[1]	**$ 2,075**	$ 1,781	17	**$ 3,918**	$ 3,395	15
Pre-tax adjusted income from operations	**$ 1,413**	$ 1,249	13 %	**$ 2,636**	$ 2,331	13 %
Pre-tax adjusted margin	**4.3 %**	4.4 %	(10) bps	**4.2 %**	4.2 %	— bps

(Dollars and adjusted scripts in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Change Favorable (Unfavorable)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Change Favorable (Unfavorable)
Selected Financial Information[1]						
Pharmacy revenue by distribution channel						
Adjusted network revenues	**$ 16,166**	$ 13,866	17 %	**$ 31,304**	$ 26,657	17 %
Adjusted home delivery and specialty revenues	**13,341**	12,407	8	**26,115**	24,412	7
Other revenues	**1,619**	1,292	25	**3,007**	2,534	19
Total adjusted pharmacy revenues	**$ 31,126**	$ 27,565	13 %	**$ 60,426**	$ 53,603	13 %
Pharmacy script volume						
Adjusted network scripts[2]	**339**	293	16 %	**662**	581	14 %
Adjusted home delivery and specialty scripts[2]	**71**	71	—	**141**	143	(1)
Total adjusted scripts[2]	**410**	364	13 %	**803**	724	11 %
Generic fill rate						
Network	**85.3 %**	88.4 %	(310) bps	**86.3 %**	88.3 %	(200) bps
Home delivery	**85.7 %**	85.1 %	60 bps	**85.8 %**	85.0 %	80 bps
Overall generic fill rate	**85.4 %**	88.0 %	(260) bps	**86.2 %**	87.9 %	(170) bps

(1) Amounts exclude special items.
(2) Non-specialty network scripts filled through 90-day programs and home delivery scripts are multiplied by three. All other network and specialty scripts are counted as one script.

Three and Six Months Ended June 30, 2021 versus Three and Six Months Ended June 30, 2020

Adjusted network revenues. The increase reflected higher claims volume, primarily due to our collaboration with Prime Therapeutics, and increased prices due to inflation on branded drugs, partially offset by claims mix. The generic fill rate increased when excluding the impact of COVID-19 vaccines.

Adjusted home delivery and specialty revenues. The increase reflected higher prices, primarily due to inflation on branded drugs, as well as higher specialty claims volume due in part to our collaboration with Prime Therapeutics. This increase was partially offset by lower home delivery claims volume, primarily due to client mix and increased script volume in the first quarter of 2020 due to customers requesting advance prescriptions related to COVID-19 supply concerns and claims mix due to an increase in the generic fill rate.

Other revenues. The increase reflected higher volume from our CuraScript Specialty Distribution business.

Adjusted gross profit. The increase reflected benefits from the effective management of supply chain, strong performance in specialty pharmacy services, customer growth and higher adjusted pharmacy script volumes, primarily due to our collaboration with Prime Therapeutics.

Pre-tax adjusted income from operations. The increase reflected benefits from the effective management of supply chain, strong performance in specialty pharmacy services, customer growth and higher adjusted pharmacy script volumes, primarily due to our collaboration with Prime Therapeutics. This increase was partially offset by technology investments.

U.S. Medical Segment

U.S. Medical includes Cigna's U.S. Commercial and U.S. Government businesses that provide comprehensive medical and coordinated solutions to clients and customers to support whole-person health needs. U.S. Commercial products and services include medical, pharmacy, behavioral health, dental, vision, health advocacy programs and other products and services for insured and administrative services only ("ASO") clients. U.S. Government solutions include Medicare Advantage, Medicare Supplement and Medicare Part D plans for seniors, Medicaid plans and individual health insurance plans both on and off the public exchanges. As described in the introduction to Segment Reporting, performance of the U.S. Medical segment is measured using pre-tax adjusted income from operations. Key factors affecting profitability for this segment include:

- customer growth;
- revenues from integrated specialty products, including pharmacy services sold to clients and customers across all funding solutions;
- percentage of Medicare Advantage customers in plans eligible for quality bonus payments;
- benefit expenses as a percentage of premiums (medical care ratio or "MCR") for our insured commercial and government businesses; and
- selling, general and administrative expense as a percentage of adjusted revenues (expense ratio).

Results of Operations

Financial Summary	**Three Months Ended June 30,**		**Change Favorable**	**Six Months Ended June 30,**		**Change Favorable**
(Dollars in millions)	**2021**	**2020**	**(Unfavorable)**	**2021**	**2020**	**(Unfavorable)**
Adjusted revenues	**$ 10,456**	$ 9,237	13 %	**$ 20,818**	$ 19,097	9 %
Pre-tax adjusted income from operations	**$ 1,017**	$ 1,523	(33) %	**$ 2,004**	$ 2,722	(26) %
Pre-tax adjusted margin	**9.7 %**	16.5 %	(680) bps	**9.6 %**	14.3 %	(470) bps
Medical care ratio	**85.4 %**	70.5 %	(1490) bps	**83.6 %**	74.5 %	(910) bps
Expense ratio	**18.1 %**	23.1 %	500 bps	**19.9 %**	22.4 %	250 bps

Three and Six Months Ended June 30, 2021 versus Three and Six Months Ended June 30, 2020

Adjusted revenues increased for the three months and six months ended June 30, 2021 compared with the same periods in 2020 reflecting customer growth in our Medicare Advantage and Individual businesses, higher premium rates due to anticipated underlying medical cost trend, the absence of the premium relief programs for clients implemented in the second quarter of 2020 and higher net investment income.

Pre-tax adjusted income from operations decreased for the three months and six months ended June 30, 2021 compared with the same periods in 2020. The decreases are due to net unfavorable COVID-19 related impacts; partially offset by higher net investment income, the net effect of non-recurring items and the repeal of the health insurance industry tax. The unfavorable COVID-19 related impacts include the resumption of medical care to near pre-COVID-19 levels during the second quarter of 2021, increased direct costs of COVID-19 testing, treatment and vaccines in 2021, lower risk adjusted revenues in our Medicare Advantage business and increased disenrollment resulting from the economic effects of the pandemic. These impacts were partially offset by the absence of the premium relief programs for clients implemented in the second quarter of 2020 in response to significantly lower than historical utilization as individuals deferred care due to the COVID-19 pandemic. COVID-19 impacts for the remainder of 2021 may vary as discussed in the "COVID-19 Update" section of this MD&A.

The ***medical care ratio*** increased for the three months and six months ended June 30, 2021 compared with the same period in 2020, reflecting COVID-19 related impacts and the repeal of the health insurance industry tax. In 2020, COVID-19 driven deferred utilization significantly outpaced incremental COVID-19 testing and treatment costs. In 2021, COVID-19 testing and treatment costs are outpacing deferral of care.

The ***expense ratio*** decreased for the three months and six months ended June 30, 2021 compared with the same periods in 2020, reflecting the repeal of the health insurance industry tax, increased revenue and the impact of favorable litigation developments.

Medical Customers

(In thousands)	As of June 30, 2021	2020	% Change
U.S. Commercial	**2,128**	2,123	— %
U.S. Government	**1,484**	1,415	5 %
Insured	**3,612**	3,538	2 %
Service	**11,632**	11,877	(2) %
Total	**15,244**	15,415	(1) %

Our medical customer base decreased at June 30, 2021 compared with the same period in 2020, reflecting a lower customer base in our National Accounts and Middle Markets segments including disenrollment resulting from the economic impacts of the COVID-19 pandemic; partially offset by growth in our Select segment as well as our Individual and Medicare Advantage businesses.

A medical customer is defined as a person meeting any one of the following criteria:

- is covered under a medical insurance policy, managed care arrangement or service agreement issued by us;
- has access to our provider network for covered services under their medical plan; or
- has medical claims that are administered by us.

Unpaid Claims and Claim Expenses

(In millions)	As of June 30, 2021	As of December 31, 2020	% Change
Unpaid claims and claim expenses – U.S. Medical	**$ 3,745**	$ 3,184	18 %

Our unpaid claims and claim expenses liability was higher as of June 30, 2021 compared with December 31, 2020, primarily due to stop loss seasonality and increases in our U.S. Government segment reflecting customer growth in our Medicare Advantage and Individual businesses.

International Markets Segment

As described in the introduction to Segment Reporting, performance of the International Markets segment is measured using pre-tax adjusted income from operations. Key factors affecting pre-tax adjusted income from operations for this segment are:

- premium growth, including new business and customer retention;
- benefit expenses as a percentage of premiums (loss ratio);
- selling, general and administrative expense as a percentage of revenues (expense ratio and acquisition cost ratio); and
- the impact of foreign currency movements.

Results of Operations

Financial Summary	Three Months Ended June 30,		Change Favorable	Six Months Ended June 30,		Change Favorable
(Dollars in millions)	2021	2020	(Unfavorable)	2021	2020	(Unfavorable)
Adjusted revenues	**$ 1,558**	$ 1,432	9 %	**$ 3,130**	$ 2,902	8 %
Pre-tax adjusted income from operations	**$ 234**	$ 319	(27) %	**$ 496**	$ 601	(17) %
Pre-tax adjusted margin	**15.0 %**	22.3 %	(730) bps	**15.8 %**	20.7 %	(490) bps
Loss ratio	**60.0 %**	49.9 %	(1010) bps	**59.5 %**	53.9 %	(560) bps
Acquisition cost ratio	**11.0 %**	11.7 %	70 bps	**11.0 %**	10.4 %	(60) bps
Expense ratio (excluding acquisition costs)	**18.3 %**	19.1 %	80 bps	**18.0 %**	18.2 %	20 bps

Three and Six Months Ended June 30, 2021 versus Three and Six Months Ended June 30, 2020

Adjusted revenues increased primarily due to favorable foreign currency movements, business growth and higher net investment income.

Pre-tax adjusted income from operations decreased reflecting higher loss ratios, partially offset by higher net investment income and favorable foreign currency movements.

The segment's ***loss ratio*** increased reflecting higher claims largely due to the impact of the COVID-19 pandemic, including the absence of the favorable impact of lower medical utilization in 2020 and the direct costs of COVID-19 testing and treatment.

The ***acquisition cost ratio*** decreased reflecting lower amortization expenses in Asia for the three months ended June 30, 2021. For the six months ended June 30, 2021, the acquisition cost ratio increased reflecting the absence of the favorable impact from a refinement to the accounting for acquisition costs in the first quarter of 2020, largely offset by lower amortization expenses in Asia.

The ***expense ratio*** (excluding acquisition costs) decreased mainly driven by lower spend across markets for the three months ended June 30, 2021. For the six months ended June 30, 2021, the expense ratio was essentially flat.

Other Items Related to International Markets Results

South Korea is the single largest geographic market for our International Markets segment. For the six months ended June 30, 2021, South Korea generated 39% of the segment's adjusted revenues and 63% of the segment's pre-tax adjusted income from operations.

Other Operations

Prior to the sale of the Group Disability and Life business on December 31, 2020, Other Operations included Cigna's Group Disability and Life business which offered group long-term and short-term disability and group life, accident, voluntary and specialty insurance products and services. Additionally, for 2021 and 2020, this segment includes Corporate Owned Life Insurance ("COLI") and the Company's run-off operations. As described in the introduction of Segment Reporting, performance of Other Operations is measured using pre-tax adjusted income from operations. Key factors affecting pre-tax adjusted income from operations are:

- premiums;
- net investment income;
- benefit expenses as a percentage of premiums (loss ratio); and
- selling, general and administrative expense as a percentage of revenues excluding net investment income (expense ratio).

Results of Operations

Financial Summary *(Dollars in millions)*	**Three Months Ended June 30,** **2021**	**2020**	**Change Favorable (Unfavorable)**	**Six Months Ended June 30,** **2021**	**2020**	**Change Favorable (Unfavorable)**
Adjusted revenues	**$ 129**	$ 1,328	(90) %	**$ 268**	$ 2,667	(90) %
Pre-tax adjusted income from operations	**$ 13**	$ 132	(90) %	**$ 37**	$ 209	(82) %
Pre-tax adjusted margin	**10.1 %**	9.9 %	20 bps	**13.8 %**	7.8 %	600 bps

Three and Six Months Ended June 30, 2021 versus Three and Six Months Ended June 30, 2020

Adjusted revenues and pre-tax adjusted income from operations decreased due to the sale of the Group Disability and Life business on December 31, 2020. Because this business constituted the vast majority of the segment, we expect a substantial decline in adjusted revenues and adjusted income from operations in this segment in 2021 as compared to 2020.

Corporate

Corporate reflects amounts not allocated to operating segments, including net interest expense (defined as interest on corporate debt less net investment income on investments not supporting segment and other operations), certain litigation matters, expense associated with our frozen pension plans, charitable contributions, severance, certain overhead and project costs and intersegment eliminations

for products and services sold between segments.

Financial Summary	Three Months Ended June 30,		Change Favorable	Six Months Ended June 30,		Change Favorable
(In millions)	2021	2020	(Unfavorable)	2021	2020	(Unfavorable)
Pre-tax adjusted (loss) from operations	**$ (344)**	$ (400)	14 %	**$ (698)**	$ (805)	13 %

Three and Six Months Ended June 30, 2021 versus Three and Six Months Ended June 30, 2020

Pre-tax adjusted loss from operations was lower, reflecting lower interest expense.

INVESTMENT ASSETS

The following table presents our investment asset portfolio excluding separate account assets as of June 30, 2021 and December 31, 2020. Additional information regarding our investment assets is included in Notes 9, 10, 11 and 12 to the Consolidated Financial Statements.

(In millions)	June 30, 2021	December 31, 2020
Debt securities	**$ 18,162**	$ 18,131
Equity securities	**530**	501
Commercial mortgage loans	**1,451**	1,419
Policy loans	**1,341**	1,351
Other long-term investments	**3,094**	2,832
Short-term investments	**349**	359
Total	**$ 24,927**	$ 24,593

Debt Securities

Investments in debt securities include publicly-traded and privately-placed bonds, mortgage and other asset-backed securities and preferred stocks redeemable by the investor. These investments are classified as available for sale and are carried at fair value on our balance sheet. Additional information regarding valuation methodologies, key inputs and controls is included in Note 10 to the Consolidated Financial Statements. More detailed information about debt securities by type of issuer and maturity dates is included in Note 9 to the Consolidated Financial Statements.

The following table reflects our portfolio of debt securities by type of issuer as of June 30, 2021 and December 31, 2020:

(In millions)	June 30, 2021	December 31, 2020
Federal government and agency	**$ 395**	$ 456
State and local government	**167**	167
Foreign government	**2,500**	2,511
Corporate	**14,623**	14,562
Mortgage and other asset-backed	**477**	435
Total	**$ 18,162**	$ 18,131

Our debt securities portfolio increased slightly during the first six months of 2021 reflecting net purchase activity, offset by a decrease in valuations due to increasing yields.

As of June 30, 2021, $15.6 billion, or 86% of the debt securities in our investment portfolio were investment grade (Baa and above, or equivalent) and the remaining $2.6 billion were below investment grade. The majority of the bonds that are below investment grade are rated at the higher end of the non-investment grade spectrum. These quality characteristics have not materially changed since the prior year and remain consistent with our investment strategy.

Investments in debt securities are diversified by issuer, geography and industry. On an aggregate basis, the debt securities portfolio continues to perform according to original investment expectations. However, due to the economic impacts of the COVID-19 pandemic, there are certain issuers, particularly within the aviation, energy and hospitality sectors, that are showing signs of distress, primarily in the form of requests for temporary covenant relief. There were no material unrealized losses in any of these sectors as of the reporting date. We continue to monitor the economic environment and its effect on our portfolio and consider the impact of various

factors in determining the allowance for credit losses on debt securities, which is discussed in Note 9 to the Consolidated Financial Statements.

Foreign government obligations are concentrated in Asia, primarily South Korea and Taiwan, consistent with our risk management practice and local regulatory requirements of our international business operations. Debt securities include private placement assets of $6.0 billion. These investments are generally less marketable than publicly-traded bonds; however, yields on these investments tend to be higher than yields on publicly-traded bonds with comparable credit risk. We perform a credit analysis of each issuer and require financial and other covenants that allow us to monitor issuers for deteriorating financial strength and pursue remedial actions, if warranted.

Commercial Mortgage Loans

As of June 30, 2021, the $1.5 billion commercial mortgage loan portfolio consisted of approximately 45 loans that are in good standing. Our commercial mortgage loans are fixed rate loans, diversified by property type, location and borrower. Given the quality and diversity of the underlying real estate, positive debt service coverage and significant borrower cash invested in the property generally ranging between 30 and 40%, we remain confident that the vast majority of borrowers will continue to perform as expected under their contract terms. For further discussion of the results and changes in key loan metrics, see Note 9 to the Consolidated Financial Statements.

Loans are secured by high quality commercial properties, located in strong institutional markets and are generally made at less than 65% of the property's value at origination of the loan. Property value, debt service coverage, quality, building tenancy and stability of cash flows are all important financial underwriting considerations. We hold no direct residential mortgage loans and do not originate or service securitized mortgage loans.

Our annual in-depth review of our commercial mortgage loan investments is the primary mechanism for monitoring the overall quality rating of the mortgage portfolio. We completed the annual in-depth review in the second quarter of 2021 that included an analysis of each underlying property's most recent annual financial statements, rent rolls, operating plans, a physical inspection of the property and a review of applicable market reports. The results of this annual review confirmed that the overall credit quality of our portfolio remains strong and was generally in line with the previous year's results.

COVID-19 has negatively impacted commercial real estate fundamentals and capital market activity with concentrated weakness in hotels and regional malls. Our mortgage loan portfolio is well diversified by property type and geography with no material exposure to hotels and no exposure to regional shopping malls. We continue to monitor the long-term impacts on the office sector due to growing headwinds: expanded remote working flexibility, shorter term leases and corporate migration to lower cost states. Our mortgage loans secured by office properties are in good standing.

Other Long-term Investments

Other long-term investments of $3.1 billion as of June 30, 2021 included investments in securities limited partnerships and real estate limited partnerships, direct investments in real estate joint ventures and other deposit activity that is required to support various insurance and health services businesses. The increase in other long-term investments is primarily driven by net additional funding activity. These limited partnership entities typically invest in mezzanine debt or equity of privately-held companies and equity real estate. Given our subordinate position in the capital structure of these underlying entities, we assume a higher level of risk for higher expected returns. To mitigate risk, these investments are diversified across approximately 190 separate partnerships and approximately 100 general partners who manage one or more of these partnerships. Also, the underlying investments are diversified by industry sector or property type and geographic region. No single partnership investment exceeded 4% of our securities and real estate limited partnership portfolio.

Income from our limited partnership investments is generally reported on a one quarter lag due to the timing of when financial information is received from the general partner or manager of the investments. Our net investment income increased significantly versus the first six months of 2020 driven by the performance of assets underlying our limited partnership investments. The broad recovery has resulted in strong corporate earnings and higher public and private asset valuations through the second quarter of 2021. We expect volatility in private equity and real estate fund performance going forward as fair market valuations are adjusted to reflect market and portfolio transactions.

We participate in an insurance joint venture in China with a 50% ownership interest. We account for this joint venture on the equity method of accounting and report our share of the net assets of $0.9 billion in Other assets. Our 50% share of the investment portfolio supporting the joint venture's business is approximately $6.9 billion, primarily invested in Chinese corporate and government debt securities diversified by issuer, industry and geography, as appropriate. To a lesser extent and consistent with its investment strategy, the joint venture is invested in Chinese equity investments comprised of approximately 50% equity mutual funds, with the remainder

invested in equity securities and private equity partnerships. We participate in the approval of the joint venture's investment strategy and continuously review its execution. There were no investments with a material unrealized loss as of June 30, 2021.

Investment Outlook

The general optimism globally fueled by business re-opening combined with unprecedented monetary and fiscal support from the U.S. government continue to support expectations for improved economic growth. U.S. treasury rates have increased from their historic lows during 2020, but they remain well below long-term historical averages. In addition, the wider market credit spreads experienced during 2020 have narrowed meaningfully, resulting in yields for investment grade assets that also remain well below historical averages. While this continues to pressure the income we earn on our fixed income investments, it has been more than offset by our security partnership results, which are reflecting improved growth prospects. We continue to actively monitor the economic impact of the pandemic, including slowing vaccinations and more transmissible variant COVID-19 cases spreading through the unvaccinated population, as well as fiscal and monetary responses, and their potential impact on the portfolio. We expect net investment income over the remainder of 2021 will reflect both the improved optimism within public and private markets for economic recovery, along with the potential for additional market volatility and portfolio impacts. Future realized and unrealized investment results will be driven largely by market conditions that exist when a transaction occurs or at the reporting date. These future conditions are not reasonably predictable; however, we believe that the vast majority of our investments will continue to perform under their contractual terms. Based on our strategy to match the duration of invested assets to the duration of insurance and contractholder liabilities, we expect to hold a significant portion of these assets for the long-term. Although future declines in investment fair values resulting from interest rate movements and credit deterioration due to both investment-specific and the global economic uncertainties discussed above remain possible, we do not expect these losses to have a material adverse effect on our financial condition or liquidity.

MARKET RISK

Financial Instruments

Our assets and liabilities include financial instruments subject to the risk of potential losses from adverse changes in market rates and prices. Our primary market risk exposures are interest rate risk and foreign currency exchange rate risk. We encourage you to read this in conjunction with “Market Risk – Financial Instruments” included in the MD&A section of our 2020 Form 10-K. As of June 30, 2021 there were no material changes in our risk exposures from those reported in our 2020 Form 10-K.

Item 3. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

Information responsive to this item is contained under the caption “Market Risk” in Item 2 above, Management’s Discussion and Analysis of Financial Condition and Results of Operations and is incorporated herein by reference.

Item 4. ***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 (including Cigna’s Chief Executive Officer and Chief Financial Officer), 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 Securities and Exchange Commission’s rules and forms and is accumulated and communicated to Cigna’s management, including Cigna’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, Cigna's internal control over financial reporting.

Part II. ***OTHER INFORMATION***

Item 1. ***LEGAL PROCEEDINGS***

The information contained under “Litigation Matters” and “Regulatory Matters” in Note 15 to the Consolidated Financial Statements is incorporated herein by reference.

Item 1A. ***RISK FACTORS***

For information regarding factors that could affect the Company's results of operations, financial condition and liquidity, see the risk factors discussed in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

Issuer Purchases of Equity Securities

The following table provides information about Cigna's share repurchase activity for the quarter ended June 30, 2021:

Period	Total # of shares purchased [1]	Average price paid per share	Total # of shares purchased as part of publicly announced program [2]	Approximate dollar value of shares that may yet be purchased as part of publicly announced program [3]
April 1-30, 2021	**1,638,971**	**$ 244.17**	**1,637,631**	**$ 2,665,792,351**
May 1-31, 2021	**589,053**	**$ 262.05**	**585,400**	**$ 2,512,374,692**
June 1-30, 2021	**1,298,494**	**$ 240.66**	**1,298,100**	**$ 2,199,974,813**
Total	**3,526,518**	**$ 245.86**	**3,521,131**	**N/A**

(1) Includes shares tendered by employees under the Company's equity compensation plans as follows: 1) payment of taxes on vesting of restricted stock (grants and units) and strategic performance shares and 2) payment of the exercise price and taxes for certain stock options exercised. Employees tendered 1,340 shares in April, 3,653 shares in May and 394 shares in June 2021.

(2) Additionally, the Company maintains a share repurchase program authorized by the Board of Directors. Under this program, the Company may repurchase shares from time to time, depending on market conditions and alternate uses of capital. The timing and actual number of shares repurchased will depend on a variety of factors, including price, general business and market conditions and alternate uses of capital. The share repurchase program may be effected through Rule 10b5-1 plans, open market purchases, each in compliance with Rule 10b-18 under the Exchange Act, or privately negotiated transactions. The program may be suspended or discontinued at any time and does not have an expiration date. In July 2021, the Board increased repurchase authority by an additional $2 billion. From July 1, 2021 through August 4, 2021, the Company repurchased 1.7 million shares for approximately $400 million, leaving repurchase authority at $3.8 billion as of August 4, 2021.

(3) Approximate dollar value of shares is as of the last date of the applicable month.

ITEM 6. EXHIBITS

INDEX TO EXHIBITS

Number	Description	Method of Filing
10.1	Revolving Credit and Letter of Credit Agreement, dated as of April 29, 2021, with the banks named therein, JPMorgan Chase Bank, N.A.,as administrative agent, BofA Securities, Inc., Citibank, N.A., Morgan Stanley Senior Funding, Inc., MUFG Bank, LTD and Wells FargoSecurities, LLC, as joint lead arrangers and joint bookrunners	Filed by registrant as Exhibit 10.1 to the Current Report on Form 8-K on April 30, 2021 and incorporated herein by reference.
10.2*	Cigna Long-Term Incentive Plan, amended and restated effective April 28, 2021	Filed by registrant as Exhibit 10.1 to the Current Report on Form 8-K filed on May 3, 2021 and incorporated herein by reference.
10.3*	Amendment No. 2 to the Express Scripts, Inc. Executive Deferred Compensation Plan	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.
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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2021, formatted in inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Total Equity; (v) the Consolidated Statements of Cash Flows; and (vi) the Notes to the Consolidated Financial Statements	Filed herewith.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith.

* *Management contracts and compensatory plans or arrangements.*

SIGNATURE

Pursuant to the requirements 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.

Date: August 5, 2021

CIGNA CORPORATION

/s/ Brian C. Evanko
Brian C. Evanko
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

AMENDMENT NO. 2
TO THE
EXPRESS SCRIPTS, INC.
EXECUTIVE DEFERRED COMPENSATION PLAN
(As amended and restated effective December 20, 2018)

WHEREAS, Cigna Corporation (the "Company") sponsors the Express Scripts Inc. Executive Deferred Compensation Plan (the "Plan") for the benefit of a select group of one or more management or highly compensated employees; and

WHEREAS, the Company desires to amend Section 8.6 of the Plan to provide that all distributions from the Plan (including, without limitation, distributions of amounts invested in the Common Stock Fund in the Plan) shall be payable in cash; and

WHEREAS, the Company desires to eliminate the unused portion of the reserved share pool described in Section 12 of the Plan; and

WHEREAS, Section 16 of the Plan allows the Chief Human Resources Officer of the Company to amend the Plan at any time.

NOW, THEREFORE, effective as of the date hereof, the Plan is hereby amended, as follows:

1. **Section 8.6 of the Plan is hereby amended and restated in its entirety as follows:**

   "8.6 Form of Distribution.

   Effective on and after July 1, 2021, distribution of a Participant's Compensation Accounts shall in all cases be made in cash.

   When required, the Company shall withhold from any distribution of cash to a Participant or other person under this Plan an amount sufficient to cover any required withholding taxes, including the Participant's social security and Medicare taxes (FICA) and federal, state and local income tax with respect to income arising from payment of the Award."

2. **Section 12 of the Plan is hereby amended by adding the following to the end thereof:**

   "Effective as of July 1, 2021, shares of Common Stock that were reserved pursuant to this Section 12 of the Plan but were not paid to Participants under Section 8.6 thereof as of July 1, 2021, shall no longer be allocated or reserved with respect to the Plan. Shares of Common Stock shall not in any event be distributed or issuable under Section 8.6 of the Plan on and after July 1, 2021."

IN WITNESS WHEREOF, this Amendment No. 2 to the Plan is adopted as of this 30th day of June, 2021.

CIGNA CORPORATION

/s/ John Murabito
By: John Murabito
Title: Executive Vice President Human Resources & Services of Cigna

Exhibit 31.1

CERTIFICATION

I, DAVID M. CORDANI, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cigna Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ David M. Cordani
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, BRIAN C. EVANKO, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cigna Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2021

/s/ Brian C. Evanko
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer of
Cigna Corporation pursuant to 18 U.S.C. Section 1350

I certify that, to the best of my knowledge and belief, the Quarterly Report on Form 10-Q of Cigna Corporation for the fiscal period ending June 30, 2021 (the "Report"):

(1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cigna Corporation.

/s/ David M. Cordani
David M. Cordani
Chief Executive Officer
August 5, 2021

Exhibit 32.2

Certification of Chief Financial Officer of
Cigna Corporation pursuant to 18 U.S.C. Section 1350

I certify that, to the best of my knowledge and belief, the Quarterly Report on Form 10-Q of Cigna Corporation for the fiscal period ending June 30, 2021 (the "Report"):

(1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cigna Corporation.

/s/ Brian C. Evanko
Brian C. Evanko
Chief Financial Officer
August 5, 2021