CIGNA CORPORATION 1983 ANNUAL REPORT

Contents

CIGNA Corporation is a leading provider of insurance and financial services to corporations and individuals around the world.

CIGNA has committed its extensive financial and people resources to providing the best possible service to its broad range of customers.

CIGNA

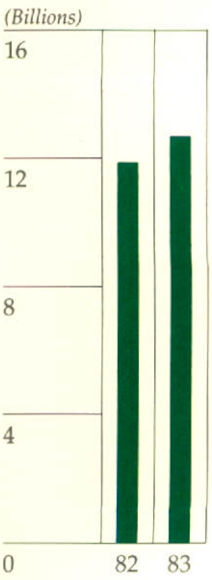
CIGNA Corporation itself is not an insurance company; insurance products and services are sold only by the Corporation's insurance company subsidiaries.

HIGHLIGHTS

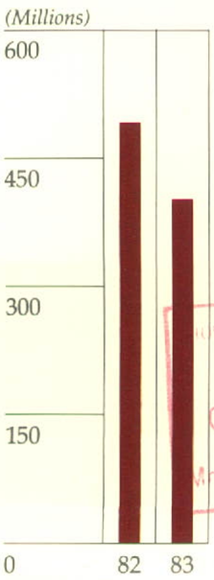
(Dollars in millions, except per share amounts)

	1983	1982	Percent Change
Revenues	**$12,563.8**	$11,810.5	6.4%
Operating income	**400.5**	490.1	(18.3)
Net income	**535.0**	516.9	3.5
Per common share:			
Operating income	**5.26**	6.38	(17.6)
Net income	**7.03**	6.73	4.5
Dividends declared per common share:			
CIGNA	**2.48**	1.725	—
Connecticut General	**—**	.51	—
INA	**—**	.60	—
Assets	**35,116.8**	31,395.3	11.9
Common shareholders' equity	**4,891.7**	4,607.9	6.2
Per common share	**66.74**	62.71	6.4
Shares outstanding (thousands):			
Common	**73,292**	73,477	(.3)
Preferred	**6,298**	6,289	.1
Employees	**42,218**	41,006	3.0

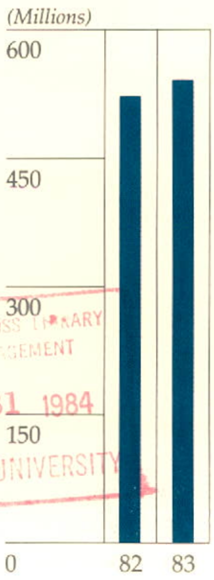
Consolidated Revenues



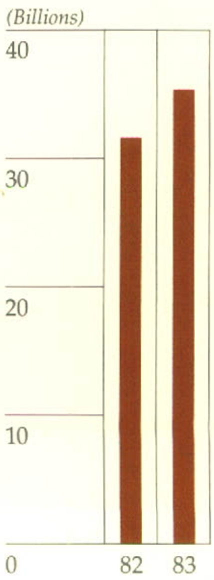
Consolidated Operating Income



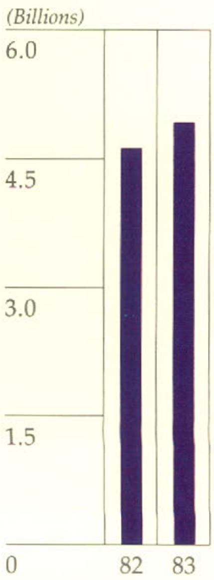
Consolidated Net Income



Consolidated Assets



Common Shareholders' Equity



PRESIDENT'S LETTER

The past year has been a period of significant challenge for CIGNA. While we achieved a number of our major objectives, our earnings did not reach acceptable levels.

Consolidated operating income for the year was $400.5 million, or $5.26 per share, a decline of 18 percent for both, compared with 1982 results. Revenues rose to $12.6 billion, assets reached $35.1 billion and equity per common share increased six percent to $66.74.

Three of our four operating groups—Employee Benefits and Financial Services, CIGNA Investment, and Affiliated Businesses—performed exceptionally well during the year and achieved results that were better than our plans. However, the financial performance of our Property and Casualty Group was poor, due primarily to continued depressed pricing brought about by overcapacity and intense competition in the property-casualty business, and to record catastrophe losses.

Based on CIGNA's strong financial and market positions and our potential for substantial long-term growth, the Board of Directors recently increased the quarterly dividend on the Company's common shares 4.8 percent, to 65 cents per quarter.

Financial Results

We were pleased with the overall results of our Employee Benefits and Financial Services Group, which recorded operating income of $377.5 million, an increase of nine percent. Revenues for the Group rose nine percent, to $7.4 billion. Earnings growth in the Group's Employee Life and Health Benefits segment and Employee Retirement and Savings Benefits segment more than offset decreased earnings in the Individual Financial Services segment.

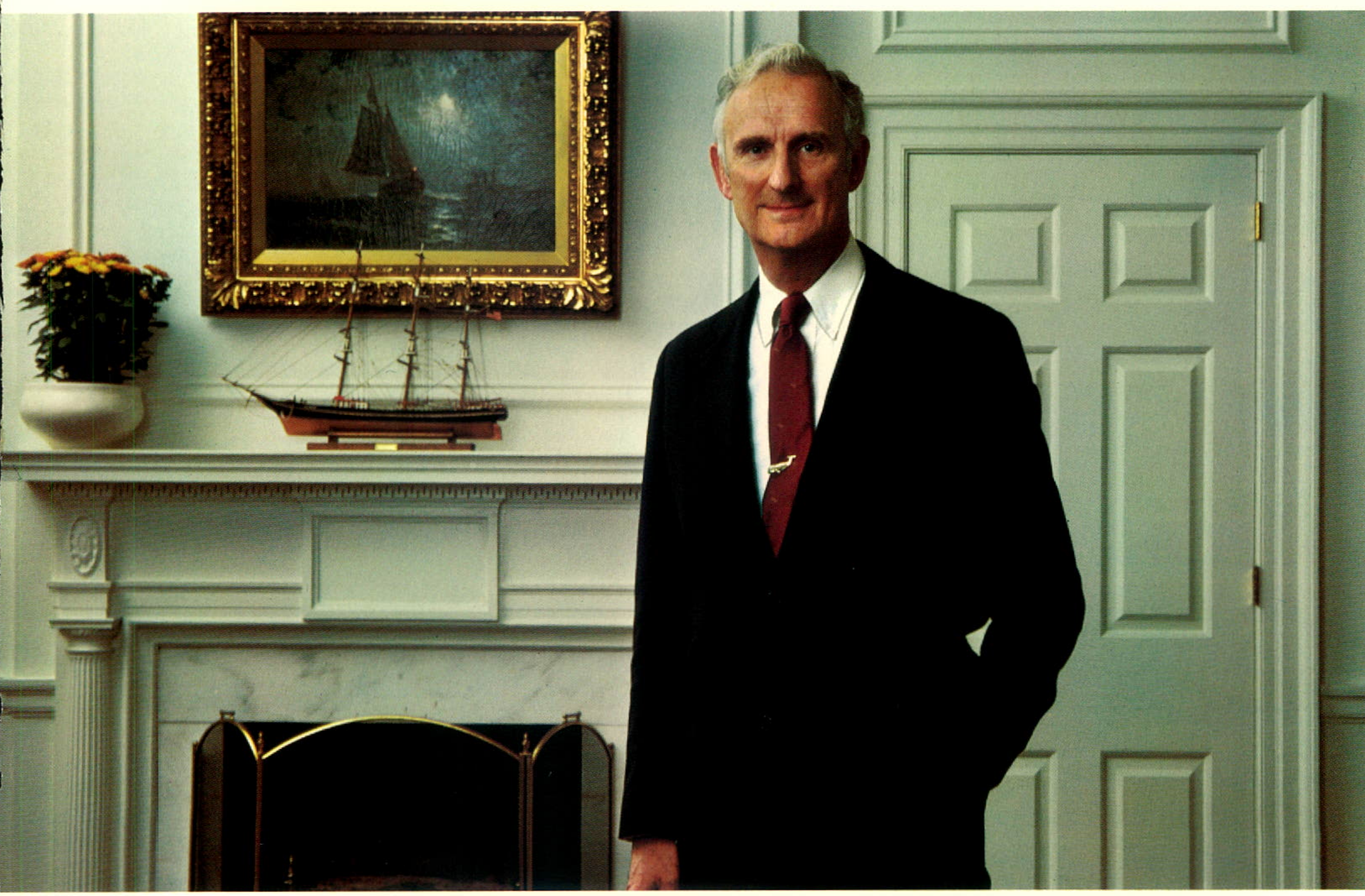
We attribute the excellent results of the Employee Life and Health Benefits segment, whose operating income rose 25 percent to $225.6 million, to a slowing in the rise of health care costs, improved economic and employment conditions, rate increases and lower taxes. Adjusted earned premiums for the segment rose 18 percent for the year, to a record $4.5 billion.

Operating income for the Employee Retirement and Savings Benefits segment increased for the year to $60.9 million, compared with $59.6 million in 1982. Assets under management increased 16 percent to $14.7 billion. The segment's operating income benefited from this increase in assets as well as from good persistency. However, growth was restrained because we continued to invest in new products and systems and because of higher taxes.

Our Individual Financial Services segment reported 1983 operating income of $91.0 million, a decline of 14 percent from 1982. This decrease reflects a high rate of policy lapses and increased product development costs, which were partially offset by a gain from the sale of a life insurance subsidiary. Total premiums for the segment rose by four percent to $1.2 billion, reflecting strong sales of settlement annuities and competitively priced, non-traditional life insurance products. Direct individual life insurance premiums decreased two percent to $436.5 million, while annuity premiums reached $413.5 million, up eight percent from 1982.

CIGNA's Property and Casualty Group results were very disappointing in 1983. The Group was affected adversely by depressed prices which resulted from continued intense competition and by unfavorable claim experience, particularly in commercial lines. The Group experienced an operating loss of $25.5 million, compared with 1982 operating income of $97.9 million. Underwriting losses for 1983, reflecting higher claim costs and lower premiums, were $805.0 million, an increase of 44 percent from 1982. Hurricane Alicia and December ice storms contributed to record catastrophe losses of $73.0 million, up 18 percent from the previous year. Premiums declined one percent from 1982, totaling $3.6 billion. Net investment income for the Group rose slightly in 1983.

Other Operations, which includes the results of the CIGNA Investment Group and the Affiliated Businesses Group as well as unallocated corporate expenses, had operating income of $48.5 million in 1983, a five percent increase from $46.1 million in 1982. Our Investment and Affiliated Businesses Groups have shown steady growth and continue to expand in key areas of opportunity for the Company.



"The Company's financial, human and marketing resources are exceptionally strong."

Robert D. Kilpatrick
President and
Chief Executive Officer

CIGNA's Senior Management Group includes eight corporate Executive Vice Presidents who report to Robert D. Kilpatrick, President and Chief Executive Officer (center, seated). They include, left to right: James W. Walker, Jr., General Counsel, and Legal and Public Affairs; James G. Stewart, Chief Financial Officer; John K. Armstrong, Chief Investment Officer and President-CIGNA Investment Group; Hartzel Z. Lebed, President-Employee Benefits and Financial Services Group; George R. Trumbull, III, Human Resources and Corporate Services; Robert E. Patricelli, President-Affiliated Businesses Group; Wilson H. Taylor, President-Property and Casualty Group; and Andrew M. Rouse, Strategic Planning, Auditing, Systems and Marketing.

Strategic Direction

With the organizational integration of Connecticut General and INA behind us, we completed the first phase of a strategic planning process that is of major importance to the Company's long-term earnings growth. In 1983, initial work included in-depth reviews of our financial goals, strengths and weaknesses, market positions and such critical environmental factors as competition, the economy, technology and regulation.

Based on these reviews, CIGNA's strategic mission is to expand as a premier financial services company, providing a broad range of insurance and other financial products and services to commercial customers of all sizes domestically and in selected commercial financial markets internationally. We will be a premier provider of insurance and related financial products and services to selected segments of the individual consumer market.

This strategic direction builds upon our current strengths, and it is broad enough to respond to rapidly changing economic, business and industry conditions in financial markets. It will enable us to:

• Position the Company in markets that offer excellent growth opportunities for our shareholders;

• Effectively differentiate CIGNA from an ever-increasing group of competitors;

• Emphasize our strong current position in those markets we know best; and

• Use our financial and human resources most productively.

As we build for the future, we intend to preserve the strength of our traditional insurance businesses. Today, CIGNA companies are leading providers of employee benefits and property-casualty insurance to businesses of all sizes. We have strong reinsurance capabilities. We also are a leader in the provision of individual financial products and services to markets comprising small business owners, affluent individuals, and educators.

In addition, CIGNA is well established in profitable insurance markets outside the United States. We added to this significant presence early in 1984 with the closing of our acquisition of AFIA, an international insurance underwriting association that reaches customers in more than 100 countries. In 1983, we acquired Crusader Insurance PLC, a multi-line United Kingdom insurer. In 1983, AFIA and Crusader had combined revenues of nearly $775 million. These acquisitions substantially broaden the range of our property-casualty and life insurance products and our geographic coverage.

To achieve superior earnings and return on shareholders' equity, however, we intend to reach beyond our traditional insurance businesses. There are opportunities for CIGNA arising from deregulation in financial services, the availability of new technologies and the innovative spirit that has brought fresh competition into the financial services marketplace.

We also will take advantage of our strengths in the growing health care industry to profitably expand our existing health insurance, health maintenance organizations and disability management businesses.

Two major resources are central to our ability to capitalize on these market opportunities. The first is our financial strength. We rank among the best-capitalized financial services companies in the world, with shareholders' equity of approximately $4.9 billion. Effective use of this financial base can augment our market and product positions in our traditional businesses as well as in those we have identified as new areas of growth.

Our other major resource is the strength inherent in our more than 42,000 employees worldwide. Our management depth in key areas and our high levels of expertise provide us with a significant competitive asset.

We are proud of the performance of our employees during the difficult times our industry has faced. Market conditions during 1983 were difficult and I expect external conditions in 1984 will remain unfavorable for our property-casualty business. We will continue to need the special effort that our employees have delivered whenever they have been faced with a challenge. To ensure that CIGNA emerges from the current poor external conditions fully prepared to reach our basic strategic goals, we will continue to build an environment that attracts, motivates, develops and retains superior people.

Board of Directors

The Company's Board of Directors has provided strong leadership and support throughout the year. The wisdom and broad-based experience of our Board constitute an invaluable resource that contributes to our considerable potential for profitable growth. During the year, the Directors' counsel and advice were important elements in devising the strategy for CIGNA's future direction.

We deeply appreciate the many extraordinary contributions made by my friend and colleague Ralph S. Saul. His broad vision and judgment were essential ingredients in achieving the merger and the subsequent integration of two fine companies. We could not have made the progress we have without his untiring effort and commitment. Although Ralph will be retiring as Chairman in April, he will remain a member of the Board. I am pleased that his advice and experience will continue to be available to me and to the Company as a whole.

We also are pleased to report that Robert J. Carlson, President of United Technologies Corporation, has joined the CIGNA Board of Directors. He brings to us extensive management and marketing experience in U.S. and international businesses.

Social Responsibility
CIGNA recognizes a social responsibility to the many communities of which we are a part. Primarily through our contributions to the CIGNA Foundation, the Company participates in a range of philanthropic activities.

In 1983, the Foundation supported a variety of programs in education, health and human services, and the arts. It also contributed to the development of the many communities where we operate and where our employees live. The Company's annual contributions to the Foundation, of course, are influenced by the level of corporate results.

We are particularly pleased with the initial results of the Foundation's major effort in health care cost containment. It is supporting a two-year program of grants to help business coalitions in local communities design and launch innovative health care cost control projects. In support of education, the Foundation provides CIGNA-sponsored scholarships to promising minority students, and participates in programs aimed at improving education in our public schools.

To complement our direct giving, the Company also utilizes other corporate resources in creative ways. For example, CIGNA allocates a small portion of our investment resources to encourage community social and economic development. Our investment in the non-profit Enterprise Foundation is helping to build low-income housing and revitalize neighborhoods throughout the United States.

CIGNA encourages the individual giving of our employees. A community service awards program recognizes those who volunteer their time and talent to local organizations, and the Company offers a matching gifts program to employees who contribute to educational institutions and cultural and arts organizations. CIGNA also matches employee gifts to United Way campaigns in more than 100 cities.

Outlook
With the economic recovery firmly established, general business conditions for 1984 should be favorable, benefiting our different businesses to varying degrees. In specific areas, however, major challenges will persist. Adverse market conditions in parts of our major insurance businesses will remain with us throughout 1984, with property-casualty markets continuing to be most heavily affected. Further, Congress is expected to enact legislation that could significantly increase taxes paid by our life and health insurance operations.

The remainder of 1984 and, to some extent, 1985 will be an important time of transition for CIGNA. Clearly, earnings will be under considerable pressure. Financial results will not be indicative of the long-term health and underlying strength of our key businesses, nor will results immediately reflect the fundamental improvements we are making in these businesses. Containing expenses Company-wide ranks as a principal objective for CIGNA during 1984. We intend to improve on our 1983 efforts, which reduced the rate of growth of our insurance-related operating expenses for the year. However, these efforts will not impede our investment in people, systems and development projects necessary to our future.

Despite our short-term concerns, the Company's financial, human and marketing resources are exceptionally strong. Our first priority is to perform as well as possible in our basic businesses in what will be a difficult environment. We are confident that such concentration, when linked with the development and implementation of our strategic plan, should improve our future financial performance and provide the satisfactory level of returns on shareholder investment that we are determined to achieve.

Robert D. Kilpatrick
President and Chief Executive Officer

At the end of 1983, CIGNA Corporation was among the largest publicly held financial services corporations in the United States, with an equity capital base of nearly $4.9 billion.

The effective deployment of CIGNA's significant financial and competitive strengths to build earnings and shareholders' equity is clearly one of the key issues confronting the Company. This is particularly true in a financial marketplace undergoing profound changes, where the traditional barriers that once separated the institutional roles of commercial banks, insurers and other financial services providers are rapidly disappearing.

The following discussion, based on questions we have received from the investment community, shareholders and employees, addresses some of the most important issues relating to CIGNA's future growth.

DISCUSSION OF STRATEGIC DIRECTION

''CIGNA's strategic mission is to expand as a premier financial services company, providing a broad range of insurance and other financial products and services to commercial customers of all sizes domestically and in selected commercial financial markets internationally. We will be a premier provider of insurance and related financial products and services to selected segments of the individual consumer market.'' —Robert D. Kilpatrick

CIGNA'S OPTIONS

In developing this strategic path, did you consider other options? For example, did you think of becoming a ''financial supermarket,'' a company that provides financial services to the entire spectrum of both commercial and individual consumer markets?

We looked at a variety of options, including this one. Being, in effect, ''all things to all people'' is not the best course of action for CIGNA. It would mean reducing our commitment to the businesses and markets we know and serve best, and in which we have substantial competitive strength.

OTHER DIRECTIONS

If that is the case, why didn't you decide to concentrate on your insurance capabilities in commercial markets and selected individual consumer markets, and avoid other financial services?

This was another option we considered carefully. However, the new financial services industry has made customers—both commercial and individual—aware that benefits and convenience can be derived from providers who offer a wide range of products and services. This increasingly sophisticated customer, the development of more efficient technology and the trend toward deregulation of financial services provide us with significant opportunities to diversify, expand revenue sources and increase potential earnings growth.

COMMERCIAL MARKET STRENGTH

How would you currently define the Company's strengths in the commercial financial services market?

CIGNA is one of the largest providers of commercial insurance in the United States. Our position in international commercial markets is broad in scope and is growing rapidly. We have

"We protect the lives, health and financial well-being of our 150,000 domestic employees through a broad range of CIGNA companies employee benefits products and services, including pension funds that spell security to about 20,000 retirees."

Raymond L. Willis, Assistant Treasurer-Benefits Management, United Technologies Corporation, considers the use of CIGNA's full-service capability a cost-effective way to do business.

excellent relationships with a large base of existing commercial customers and an unusual capacity to handle their major risks.

More specifically, we are a major provider of group life, health and pension products in the United States and a leading U.S. property-casualty insurer in both the primary and reinsurance markets. In addition, CIGNA operates the largest investor-owned network of health maintenance organizations (HMOs), and is the major private provider of rehabilitation services to employees.

ADDITIONAL STRENGTHS

Are there other strengths in the commercial area?

Yes. The breadth and quality of our product line in commercial markets, for example. Few insurance companies can match our range of services to commercial customers in key areas such as group medical, dental and long-term disability insurance, pension services and the large-case property-casualty business. We also offer an expanding portfolio of investment management services and other services such as claims management, loss control, payroll processing and premium financing.

Our extensive marketing and distribution capabilities also are strong assets. They are oriented largely toward commercial customers and are supported by a group of agents who sell only for CIGNA, a broad network of independent agents and brokers, and our own intermediary sales forces.

INDIVIDUAL CONSUMER MARKET

What direction will you take in the individual financial services market?

We intend to capitalize on our significant presence in selected segments of the individual insurance market, chiefly among small business owners, high-net-worth individuals, and educators. We have effective distribution systems targeted to the needs of these desirable market segments. We see significant growth opportunities in further developing these segments and expanding the range of products and services we provide in them.

In addition, our commercial marketing strengths enable us to reach individual employees through employer-sponsored distribution mechanisms with various investment products, including individual retirement accounts, tax-deferred savings programs, mutual funds, supplemental life and other insurance products.

"During our 40 year relationship with CIGNA companies, Avco has undergone substantial growth while the economy has moved through several cycles. Through it all, CIGNA responded with timely and effective service in helping us meet our investment goals."

John Delucca is Vice President and Treasurer of Avco Corporation. CIGNA manages a significant portion of the company's pension fund money.

FURTHER SPECIALIZATION

Are there other individual market segments of interest to you?

Yes, and again this interest is linked to our commercial strength. We are aggressively expanding the marketing of our individual financial products and services to corporate managers, another key market segment we can reach through employers.

BUILDING RELATIONSHIPS

What kind of business relationships do you feel best serve your customers?

Our customers will be better served through long-term relationships in which they can obtain proven services from a trusted provider who understands their changing needs. We intend to provide our customers with the level, quality and price of service that will make it attractive to them to renew their existing business and to purchase additional products and services.

THE EFFECTS ON PROPERTY-CASUALTY BUSINESS

CIGNA is a leading commercial property-casualty insurer in the United States. This is a troubled business, affected by adverse market conditions. Will the emphasis on a strategic direction distract attention from current operating problems in this area?

No. Our first priority is to make our existing businesses as strong as possible, to bring them to the point where we are assured of their continuing leadership and profitability.

Our strategic focus is directed precisely toward that priority. Eventually, market forces will cure the most pressing ills of the property-casualty market—excess capacity and the corresponding pressures it creates on pricing. But we are convinced that, even after poor underwriting returns squeeze out overcapacity and restore more rational pricing, fundamental structural changes, which already are evolving, will be required.

FUNDAMENTAL CHANGES

How are you responding to these changes?

We will have to change the way we do business in the property-casualty area. This means, first, a continued emphasis on cost control and cost effectiveness.

To oversee our cost-control efforts, we have created a high-level task force to thoroughly analyze industry trends, as well as our

"CIGNA's special risk unit and international division provide us with a total global property-casualty insurance program. Whether it's Dearborn, Michigan, or Bordeaux, France, we have coverage tailored to meet our needs."

John Sagan is Vice President and Treasurer, Ford Motor Company. CIGNA's total account concept provides an integrated approach to risk management for multinational companies like Ford.

own operations, and to recommend areas where improvements can be made. We expect to implement a number of these recommendations in 1984.

We are making substantial investments in the communications technologies that will play an increasingly important role in the efficient delivery of information, products and services. Systems capable of linking our Property and Casualty Group directly with risk managers, agents, brokers and claims adjusters are crucial to cost control and operating efficiency.

We are providing increased financial, marketing and systems support to key agents in the expectation of increasing our business with them. This more intense form of partnership plays an important role in expanding our position in that part of the property-casualty market made up of smaller and medium-sized commercial accounts.

We will continue to support the personal lines market, which is important to our agency distribution system. Through the Agency Division, we had a position in this market that amounted to nearly $630 million in net written premiums in 1983.

To supplement our traditional agent/broker network, we are investigating ways to expand our distribution channels. We are convinced that the agency system will continue to play a major role in the insurance market for many years to come. However, the use of additional distribution channels by insurers will become increasingly commonplace as CIGNA and others examine and adopt ways to reduce distribution costs.

INTERNATIONAL GROWTH

The Property and Casualty Group announced two large acquisitions in 1983 through its International Division. How do they relate to CIGNA's long-term strategy?

The CIGNA International Division is an important resource—one of the largest sources of multi-line insurance products and services in the international marketplace. It is the second largest U.S.-based international insurance group, on the basis of assets and premiums.

"We wanted the best for our employees. I was most impressed with CIGNA's people, its back-office systems and the positive comments of other clients."

Diane O'Brien is Division Staff Manager of Pacific Telesis. The company has just selected CIGNA's Connecticut General Life Insurance Company subsidiary to administer its group dental benefits program.

We believe that the division's markets will experience a higher rate of growth over the next five years than will the U.S. insurance market. The acquisitions of AFIA, a large international insurance underwriting association, and of Crusader Insurance PLC, a multi-line United Kingdom insurer, reflect our plan to maximize potential by expanding the division's products and service base. CIGNA International now serves customers in more than 150 countries.

THE IMPORTANCE OF DIFFERENTIATION

You say that a reason for selecting your corporate direction—with its focus on commercial customers and selected individual financial services —is that it promises to ''differentiate'' CIGNA. Can you explain this further?

We are now in an environment where once-segregated products and services are being offered by a variety of traditional and non-traditional financial institutions—where distinctions between these institutions are beginning to blur. In such a marketplace, differentiation becomes increasingly important.

Currently, no insurer appears to be pursuing CIGNA's chosen strategic direction to make the commercial financial services customer the *primary* customer. By concentrating on this business, in which we have the resources to be a clear industry leader, we think we can better demonstrate the Company's expertise to our customers.

EB&FS GROWTH

How will your strategic direction affect the Employee Benefits and Financial Services (EB&FS) Group?

EB&FS, which in 1983 provided most of CIGNA's operating income, offers an array of life and health services, annuities and investment vehicles to groups and individuals. Over the past five years, the Group has recorded annual compound operating earnings growth of 10 percent. While anticipated federal tax legislation is expected to adversely affect the Group's operating income in the near term, EB&FS is well positioned in its markets. We expect the Group to continue its solid performance.

"Twelve years ago, my brother and I began working with our CIGNA financial adviser to develop our original personal estate and insurance plans. When we went into business, he was there. He's our financial adviser... and he is our good friend."

Michael E. Laureno, Jr., President and Treasurer of Laureno Lumber & Millworks, Inc., established the company with his brother Laurence. They have seen the relationship with their CIGNA Individual Financial Services adviser grow steadily with their own success.

Strategically, we expect EB&FS to market and distribute existing and new life, health, retirement and savings products provided by employer-sponsored employee benefit plans. It also will aggressively market individual financial services to corporate executives, professionals and other affluent individuals. It will market personal life, health and property-casualty insurance, as well as pension and annuity products, directly to educators through its Horace Mann insurance operations.

HEALTH CARE INITIATIVES

You are approaching the health care business from several different directions—group health insurance, health maintenance organizations and other health services. How do your initiatives relate?

Each of our health care enterprises is important to CIGNA's continued effort to provide our commercial customers the broadest possible base of health care-related services.

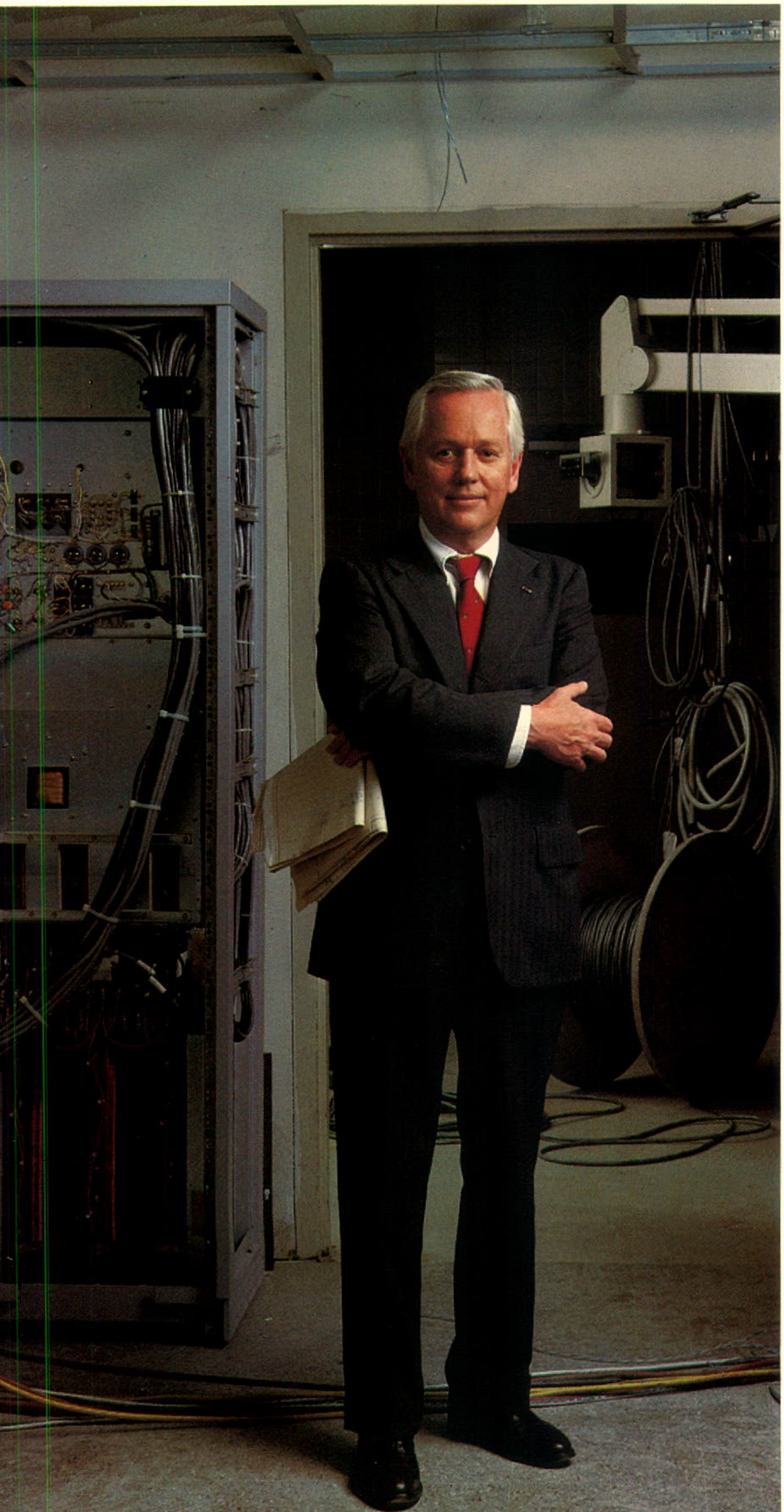
The Company's participation in group health insurance has been profitable, and we expect it to remain so. Our HMOs and other direct health care services complement our strong medical and dental insurance businesses. These direct health care services are profitable in their own right. We plan a significant expansion in the number of HMOs in operation.

Our combined health insurance and health care activities give the Company a broad involvement with potential for additional related growth opportunities, particularly as the health care industry concentrates on cost containment activities.

OTHER FINANCIAL SERVICES

What are some of the other financial services you will investigate?

We will examine broadening our product and service capabilities into such areas as credit and corporate finance to take advantage of the new financial services environment. We also are planning to expand our position in payroll processing.



"As a joint venture contractor, my partner and I looked to CIGNA to provide comprehensive insurance coverage for this new building at Long Island College Hospital. We were pleased with the coverage and were just as pleased with the service."

Philip Mitchell, Chairman of James E. Mitchell & Son, Inc., worked with his agent, who specializes in coverage for contractors and who used CIGNA's Property and Casualty Group for contract bond and construction insurance on this project.

EFFECT ON EMPLOYEES

How will CIGNA's organization and employees be affected by the implementation of your strategy?

Every strategic change affects our people in a variety of ways. They must continue to manage such change efficiently and with a minimum of disruption. Therefore, while we invest in products, technologies and marketing programs, we will invest simultaneously in our employees and in programs that strengthen their ability to use these new tools effectively.

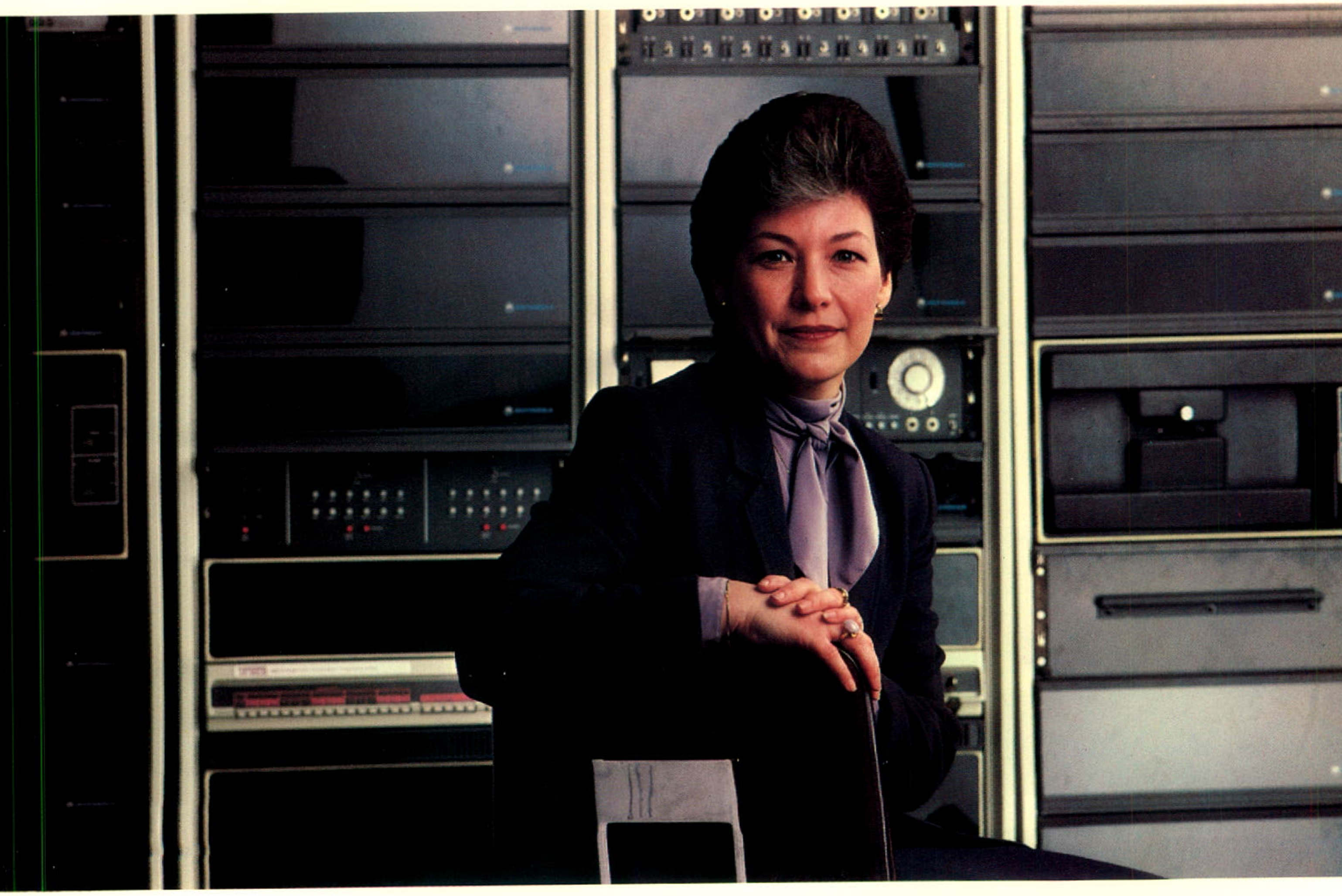
CIGNA IN FIVE YEARS

What kind of company will CIGNA be in five years?

We expect to be, as we are today, one of the largest and most effective multi-line providers of insurance, employee benefits and investment products and services. Our business mix will be different. It will include a variety of financial products and services we do not offer currently. We also expect that our geographic scope will have expanded considerably.

CIGNA will be a major force in the health care market as a health insurer and as a direct provider of medical care and related health care services. We will be an important investment manager for third-party funds and a leader both in large pension business and in employer-sponsored, employee-paid retirement savings and investment plans. We will be a major provider of financial products and services to small business owners, affluent individuals, and educators. We will market a spectrum of financial products and services to employees through voluntary payroll deductions. We will market management services—chiefly in the areas of health care cost containment, risk management and asset management.

In sum, we will provide a wide range of superior financial products, balancing price with the level of service required by each customer. In this way, we expect to enhance the Company's already strong financial position and offer an attractive return to our shareholders.



"We began offering our Phoenix employees membership in one of the CIGNA health plans in 1980. Today, nearly 5,500 employees in Los Angeles, Fort Lauderdale and Phoenix are members."

Julie Sackett, Vice President and Director of Compensation and Benefits, Motorola, Inc., feels that with the ever-increasing cost of medical care, CIGNA's health plans are a popular benefit.

CONSOLIDATED FINANCIAL REVIEW

(In millions)	1983	1982	1981 (Pro forma & Unaudited)
Premiums	**$ 9,013.4**	**$ 8,680.4**	$ 8,128.8
Net investment income	**2,618.9**	**2,384.9**	2,106.2
Total revenues	**12,563.8**	**11,810.5**	10,896.8
Benefits and expenses	**12,319.3**	**11,329.0**	10,113.8
Income taxes (benefits)	**(156.0)**	**(8.6)**	125.0
Operating income	**400.5**	**490.1**	658.0

During the first quarter of 1982, Connecticut General Corporation (CGC) and INA Corporation effected a merger through which they became wholly owned subsidiaries of CIGNA Corporation (CIGNA) (Notes 1A and 2 to the Consolidated Financial Statements). While generally accepted accounting principles require presentation of CGC financial statements for 1981, it is management's opinion that a comparison of CIGNA's results of operations for the years ended December 31, 1983 and 1982 with pro forma results of CIGNA for the year ended December 31, 1981 is more meaningful than a comparison with CGC's 1981 results. Accordingly, CIGNA's discussion and analysis of financial results addresses material changes and other significant items for the year ended December 31, 1983, compared with CIGNA's results in 1982 and CIGNA's pro forma results for 1981. CIGNA's results for these years are reported in four segments and Other Operations. The four segments are Employee Life and Health Benefits, Employee Retirement and Savings Benefits, Individual Financial Services and Property and Casualty.

CIGNA's consolidated operating income totaled $400.5 million in 1983, an 18 percent decrease from $490.1 million in 1982. Consolidated operating income in 1982 decreased 26 percent from $658.0 million in 1981. These less than favorable results were due primarily to increasing weakness in the Property and Casualty segment and, to a lesser extent, continuing weakness in the Individual Financial Services segment. Competition in all segments continues to be intense, especially in the property and casualty markets where excess capacity and intense competition are depressing price levels. Consolidated revenues were $12.6 billion, $11.8 billion and $10.9 billion in 1983, 1982 and 1981, respectively.

In 1984, management expects competition to remain intense and anticipates that the taxation of life insurance companies will be revised by legislation amending the Internal Revenue Code. If legislation is enacted as currently proposed, it could have a significant adverse effect on future operating income, primarily in the Employee Life and Health Benefits segment. In addition, in January 1984 CIGNA completed the acquisition of AFIA, an international underwriting association. CIGNA estimates that this acquisition may have a negative effect of between $.10 and $.15 per share on 1984 operating income. These results are caused by the anticipated amortization of the excess of the purchase price over the net assets acquired, which is expected to be only partially offset by anticipated low earnings over the near term. Foregone investment income and interest expenses associated with the purchase may further reduce 1984 earnings by an additional $.20 to $.25 per share.

EMPLOYEE BENEFITS AND FINANCIAL SERVICES GROUP

Review of Operations

CIGNA's Employee Benefits and Financial Services Group (EB&FS) provides life and health insurance products and services, annuities and investment vehicles to groups and individuals. EB&FS includes four operating divisions: Group Insurance and Services, Group Pension, Individual Financial, and Diversified Insurance Services.

The Group's overall financial performance was strong in 1983, despite continued intense competitive pressures. Operating income for the year was $377.5 million, a nine percent increase from 1982's $346.1 million. For financial reporting purposes, the Group's operating results are reported in three segments: Employee Life and Health Benefits, Employee Retirement and Savings Benefits, and Individual Financial Services. These segments are discussed in the Financial Review.

Operations of the *Group Insurance and Services Division* primarily include the six major forms of group insurance coverage: life, medical, dental, accidental death and dismemberment (AD&D), disability income and long-term disability (LTD). These products are distributed to employers, unions and professional associations by CIGNA's salaried group representatives through independent agents, national insurance brokers and insurance consultants as well as by CIGNA's career agents and brokerage consultants.

Nearly 50 percent of group life and health premiums was generated from medical coverage, with dental plans and life insurance also providing significant sources of revenue. While accounting for smaller shares of premiums, the division's volume of business in special risk coverages, primarily AD&D and LTD, places it among the market leaders.

The division's leadership in health care cost containment has contributed to its ability to show attractive growth in sales and premiums. Cost containment services are provided to assist customers in the design of benefit plans with features such as outpatient care, hospital utilization review, second opinions for elective surgery and employee education on preventive care.

Sophisticated, automated medical and dental claims systems—MediCom and DentaCom—also supported cost containment activities during the year. The systems are an integral part of the division's cost management capabilities and give it a competitive strength in serving group customers. They provide prompt, accurate payment of claims and facilitate the analysis of health cost data, enabling customers to identify costs by provider, determine patterns of benefit usage and develop cost containment strategies. A major claims-related activity during the year was the formation of a specialized organization designed specifically to handle LTD and AD&D claims.

Other activities in 1983 included a series of cost containment seminars for commercial customers in several major markets and the division's continued research and testing of alternative ways to provide

Raymond L. Willis (right) of United Technologies discusses employee benefits with CIGNA's Robert McGoldrick.

efficient health care services, such as preferred provider organizations (PPOs). A PPO consists of one or more health care providers that contract with insurance carriers or employers to provide services at reduced cost.

The division also formed a marketing partnership with Health Systems International, a leading health care consulting and computer systems firm, to provide medical cost containment strategies for large employers and business coalitions.

EB&FS's *Group Pension Division* provides pension, profit-sharing and savings products and services to customers ranging from small businesses to some of the largest U.S. corporations. The division is one of the few providers that can offer plan sponsors a complete range of pension products and related professional and administrative services. These products and services are sold by the division's salaried group pension representatives through independent agents, national brokerage houses and pension plan consultants as well as by CIGNA's career agents and brokerage consultants.

Group Pension provides both defined benefit and defined contribution plans on a group basis, primarily through employers and associations. During the year, the division successfully marketed its retirement savings programs, including thrift, profit-sharing and 401(k) salary reduction plans. These plans are proving popular among both large and small customers.

To service these accounts, which involve a large volume of transactions, and to improve its adaptability to a rapidly changing group pension marketplace, the division began a substantial program in 1983 to enhance its data processing and telecommunications operations over the next several years.

Along with service, consistently good investment results are essential for success in the pension marketplace. Pension and retirement savings customers have profited substantially from CIGNA's traditionally strong investment performance. In both its general and separate accounts, the Company's longer-term results are among the insurance industry's best. In 1983, Connecticut General Life Insurance Company further improved its ability to meet the investment needs of its customers by dividing its general account into separate segments for defined benefit, defined contribution and other business.

Through its *Individual Financial Division,* CIGNA provides individual life, health, annuity and investment products, and financial planning services to individuals. These products are offered through CIGNA's career agents and brokerage consultants as well as independent agents and brokers. Individuals with high net worth, including owners of closely held businesses and professionals, are a major market for the division.

Despite continued intense competitive pressures during 1983, the division had particularly strong sales of several products. These included an innovative traditional life insurance product, introduced at mid-year, universal life products and settlement annuities. The new product, called Precedent, is a flexible-premium, interest-sensitive, permanent life product that can be customized to suit a variety of customer needs. Precedent sales in the last three months of 1983 led the division to an excellent sales quarter. Life insurance premium growth for the year, however, declined due primarily to policy lapses.

In 1983, the division experienced very strong market success with tax-advantaged investment products, such as real estate limited partnerships. Sales in this area tripled, from $55 million to $166 million. To capitalize on this opportunity, additional resources were committed to the ongoing development of innovative tax-advantaged products. The division also continued to develop and market traditional investment products for individuals.

The division's comprehensive fee-based financial planning service continued to be tested and refined in 1983. This service offers financial counseling to individuals.

In January 1983, EB&FS established the *Diversified Insurance Services Division* to develop and manage profitable businesses that are within the scope of EB&FS, but are outside the principal areas of concentration of the Group's other divisions. The division includes CIGNA RE Corporation, the Horace Mann companies and the consumer marketing department.

CIGNA RE markets the Group's life and health reinsurance products. In 1983, it focused on strengthening its position in the group and special risk segments of the market while maintaining a targeted presence in its individual life reinsurance business, which has faced intense price competition the past several years.

The Horace Mann companies are multi-line insurance operations which primarily sell individual life, health and property-casualty insurance, as well as pension and annuity products, directly to teachers. In 1983, Horace Mann registered its sixth consecutive year of premium growth, supported by strong sales. Horace Mann also had superior underwriting results in its property-casualty line of products and increased its employed agent force by nine percent.

Consumer marketing uses sophisticated direct response marketing techniques to sell insurance and related services to individuals. In 1983, the department concentrated on strengthening relationships with commercial banks, credit unions and other financial institutions to generate business from customers of these institutions.

Outlook

The Employee Benefits and Financial Services Group is expected to benefit in 1984 from the positive effects of continued economic recovery, moderate rates of inflation and improved employment levels. Strong 1983 sales, such as those generated at year end by the Group Pension and Individual Financial Divisions, suggest continued sales momentum in 1984. However, impending federal tax legislation is expected to increase taxes for the Company's life insurance companies and, if enacted as currently proposed, could have a significant effect on the Group's future operating income, primarily in the Group Insurance and Services Division.

Employee Life and Health Benefits Financial Review

(In millions)	1983	1982	1981 (Pro forma & Unaudited)
Premiums	**$2,809.5**	**$2,627.0**	$2,374.4
Net investment income	**273.4**	**248.4**	215.9
Total revenues	**3,082.9**	**2,875.4**	2,590.3
Benefits and expenses	**2,854.0**	**2,668.8**	2,395.9
Income taxes	**3.3**	**26.3**	34.1
Operating income	**225.6**	**180.3**	160.3

Operating income for Employee Life and Health Benefits totaled $225.6 million in 1983, an increase of 25 percent over 1982's $180.3 million. This increase reflects improving economic and employment conditions, rate increases, a reduction in the rate at which medical costs are increasing and lower taxes. Operating income in 1982 increased 12 percent over $160.3 million in 1981. Business growth, rate increases and lower taxes were primarily responsible for the increase.

At Pacific Telesis (left to right), Diane O'Brien reviews the company's dental plan with CIGNA's Doug Abbott and Consultant Bruce Noda of William M. Mercer, Inc.

Earned premiums increased seven percent in 1983 to $2.8 billion. In 1982, earned premiums totaled $2.6 billion, an 11 percent increase from the 1981 level of $2.4 billion. Earned premiums adjusted for premium equivalents and rate credits paid to policyholders, which management believes is a better indicator of business volume, totaled $4.5 billion in 1983, an 18 percent increase over 1982. In 1982, the increase was 15 percent. Premium equivalents are additional premiums which would have been earned under alternate funding programs, including minimum premium and administrative services only programs, if such coverages had been written in traditional fashion. This measure reflects the significant growth of alternate funding programs which, as a percentage of total adjusted earned premiums, were 37 percent, 29 percent and 26 percent in 1983, 1982 and 1981, respectively. The adjusted earned premium mix in 1983 was approximately 56 percent medical care, 19 percent dental, 10 percent life insurance, seven percent long-term disability and eight percent other coverages.

Sales of new business and rate increases on existing business, measured by annualized adjusted written premiums, amounted to $1.0 billion in 1983, a modest increase over the 1982 total of $985.6 million. Sales in 1982 increased 39 percent over the 1981 amount of $709.8 million. Strong sales continued in 1983 despite increased competition, reflecting the successful implementation of target customer, product and service strategies designed to meet changing market needs.

Employee Retirement and Savings Benefits Financial Review

(In millions)	1983	1982	1981 (Pro forma & Unaudited)
Premiums	**$1,414.1**	**$1,263.1**	$ 926.0
Net investment income	**1,183.6**	**1,022.8**	887.7
Total revenues	**2,597.7**	**2,285.9**	1,813.7
Benefits and expenses	**2,519.3**	**2,219.1**	1,736.1
Income taxes	**17.5**	**7.2**	20.0
Operating income	**60.9**	**59.6**	57.6

Operating income for Employee Retirement and Savings Benefits was $60.9 million in 1983, a two percent increase over the 1982 amount of $59.6 million. This modest growth reflects increased earnings from a larger asset base and good persistency, largely offset by higher taxes arising from the Tax Equity and Fiscal Responsibility Act of 1982 and increased expenses relating to product and systems development. In 1982, operating income increased three percent over 1981, reflecting relatively modest asset growth and increased operating expenses.

Asset growth is the key determinant of earnings growth since most of the operating income for this segment is derived from management fees on assets. Assets under management totaled $14.7 billion at the end of 1983, an increase of 16 percent from the 1982 year-end level of $12.7 billion, which was up nine percent from $11.6 billion in 1981.

Premiums amounted to $1.4 billion in 1983, up 12 percent from $1.3 billion in 1982. Premiums in 1982 increased 36 percent over $926.0 million in 1981. Total premiums and deposits, including investment advisory account deposits, were $1.5 billion in 1983, 15 percent higher than the previous year. Total premiums and deposits in 1982, including investment advisory account deposits, were $1.3 billion, 26 percent above the 1981 level. These results reflect increased sales of private sector pension products which have benefited from an expanding market and favorable tax incentives.

Individual Financial Services Financial Review

(In millions)	1983	1982	1981 (Pro forma & Unaudited)
Premiums	**$1,232.6**	**$1,183.1**	$1,103.0
Net investment income	**474.8**	**440.8**	404.4
Total revenues	**1,753.5**	**1,644.9**	1,511.5
Benefits and expenses	**1,618.9**	**1,490.2**	1,320.9
Income taxes	**43.6**	**48.5**	49.5
Operating income	**91.0**	**106.2**	141.1

Operating income for Individual Financial Services totaled $91.0 million in 1983, a 14 percent decrease from $106.2 million in 1982. This decrease, which was partially offset by a gain from the sale of a life insurance subsidiary, primarily resulted from a continued high rate of policy terminations and increased product development expenses. These factors reflect continuing competitive pressures and fundamental changes in the traditional life insurance marketplace. Operating income in 1982 decreased 25 percent from 1981, reflecting adverse economic conditions, primarily high interest rates, coupled with competitive pressures and poor persistency.

Total Individual Financial Services premiums in 1983 were $1.2 billion, up four percent from 1982. Direct individual life premiums totaled $436.5 million, down two percent from the 1982 amount of $447.3 million. Annuity premiums totaled $413.5 million, an increase of eight percent from the 1982 total of $383.2 million. These changes reflect strong sales of settlement annuities throughout the year, as well as increased sales of lower margin, non-traditional life insurance products, which has been the trend in the life insurance marketplace, and continued poor persistency in traditional life insurance products. Premiums in 1982 were up seven percent from the 1981 amount of $1.1 billion. Within this total, direct individual life premiums in 1982 decreased four percent from 1981.

The Horace Mann operations, which were reported in the Property and Casualty segment in prior years, have been reclassified for all periods as part of the Individual Financial Services segment because all Horace Mann business is now managed, marketed and produced as an integral part of this segment. Horace Mann's results represent 25 percent, 27 percent and 18 percent of Individual Financial Services operating income in 1983, 1982 and 1981, respectively.

At Laureno Lumber & Millworks, Laurence (center) and Michael Laureno (right) talk over financial planning with CIGNA's Ezra H. Ripple, IV.

Review of Operations

CIGNA's Property and Casualty Group is a leading provider of commercial insurance in the United States. With its acquisition of several international insurance entities, the Group has strengthened its position in markets outside the United States. It is one of the few U.S.-based organizations able to meet the global insurance needs of multinational firms.

Approximately 80 percent of the Group's business is in commercial lines, which comprise most forms of insurance protection against losses arising from property damage and liability claims. Principal commercial product lines include property, casualty, commercial packages, workers' compensation, marine and aviation, and reinsurance. The Group's operations also include personal insurance products, primarily automobile and homeowners coverages. The Group operates through its Agency, Broker, International, and Reinsurance and Services Divisions.

The already difficult environment for the property-casualty industry deteriorated in 1983. The industry continued to experience severe competition, resulting in further depressed prices, particularly in commercial insurance markets.

Despite major efforts made during the year to improve operating performance, the Group's results reflect the unfavorable operating environment. Operating results showed a loss of $25.5 million in 1983. Net written premiums were level at $3.5 billion. In addition to the competitive environment, 1983 was affected by record catastrophe losses of $73.0 million, an 18 percent increase over 1982.

After several years of significant increases in expenses, the Group maintained internally generated expenses at 1982 levels. These results were aided by a task force of senior managers and outside consultants who continue to develop new and specific expense-reduction activities for 1984.

Within the Property and Casualty Group, the *Agency Division* markets a wide range of products and services to small and medium-sized commercial accounts and to individuals, primarily through the independent insurance agency system.

To improve financial performance, the division has initiated actions to develop more profitable relationships with independent insurance agents and reduce expenses without impairing customer service.

The division also continues to emphasize the use of advanced data processing systems to provide more responsive service while, at the same time, reducing operating costs. During the past year, the division introduced programs to provide insurance agents with better methods of direct access to its computer processing systems. Interactive computer links were completed with two systems vendors serving independent agents. Additional computer interfaces are planned for 1984.

During 1983, the division greatly expanded its COMPAR and Partnership programs, in which agents place all or major portions of their business with CIGNA insurance companies. These programs are resulting in increased high-quality business and more cost-efficient distribution, an advantage to policyholders, agents and the Company.

The *Broker Division* provides underwriting and risk management services to major U.S. corporations and institutions where risks are large or complex.

An industry leader for large commercial accounts, the division's special risk unit and its excess and surplus lines organization distribute their products principally through major U.S. brokerage firms.

During the year, the division introduced a computerized risk management service to provide clients with direct access to risk management, loss control, claims administration and other computer software programs. CIGNA Risk Information System serves more than 70 cities throughout the United States.

The *International Division* is one of the largest U.S.-based sources of insurance products and services in the international marketplace. In 1983, the division's net written premiums were $327.9 million. The division is growing rapidly, and announced several key acquisitions during the year.

Largest of these was the January 1984 acquisition of AFIA, an international insurance underwriting association with net written premiums of $510 million for the 1983 fiscal year, including reinsurance. AFIA is a source for property, casualty, marine, and accident and health insurance.

At Ford, John Sagan (left) discusses international and special risk coverages with Robert Ozment, Ford's Risk Manager (right), and Bruce Morrison, Managing Director of Marsh & McLennan.

The AFIA purchase expands the International Division's licensing base to more than 85 countries. This is significant because many nations require that global insurers hold local insurance licenses, which can be difficult to obtain.

The division also strengthened its position in the international life and health insurance business by acquiring Crusader Insurance PLC, a large multi-line insurance company based in the United Kingdom. In addition, it purchased the Kemper Group's Brazilian insurance operations.

To support its growth, the division is continuing to develop and expand a prototype model office program. The program, which is currently being installed in selected offices in five countries, is designed with automated underwriting systems, claims handling and other functions that will enable the division to collect and analyze local market data on a worldwide basis.

The *Reinsurance and Services Division* underwrites reinsurance in the United States and internationally. Further, the division operates specialized services such as loss control, salvage and subrogation, and premium financing.

Reinsurance markets continue to experience price depression due to overcapacity in virtually every market. CIGNA's strategy is to concentrate on sound underwriting practices and to maintain or improve its position through an emphasis on profitable markets, strict underwriting standards, and automated production and support systems.

Outlook

The property-casualty industry faces a difficult year in 1984. An upturn in underwriting results is not expected to materialize during the year. The industry's overcapacity, coupled with some insurers' attempts to maintain market share through unrealistic pricing, will continue to create intense competition. Significant improvements are not likely until commercial insurance pricing tightens.

Faced with these ongoing industry challenges, the Group will maintain its emphasis on solid, fundamental insurance and risk management practices to compete more effectively in existing markets.

To improve profitability, particular emphasis will be given to five primary areas: improvement of loss ratios, containment of expenses, restructuring of distribution systems, implementation of strategic business directions and creation of a working environment in which change can be managed effectively.

Reviewing contractors insurance at Long Island College Hospital are Barr/Mitchell principals Thomas A. Barr (left) and Philip Mitchell (right), and Richard F. Ferrucci, President, Contractors Planning Group, Inc.

Property and Casualty Financial Review

(In millions)	1983	1982	1981 (Pro forma & Unaudited)
Premiums	$3,557.2	$ 3,607.2	$ 3,725.4
Net investment income	580.6	555.0	514.5
Total revenues	4,261.9	4,282.3	4,372.6
Losses and expenses	4,532.8	4,309.4	4,150.5
Income taxes (benefits)	(245.4)	(125.0)	(18.6)
Operating income (loss)	(25.5)	97.9	240.7

Property and Casualty reported an operating loss of $25.5 million in 1983, compared with operating income of $97.9 million in 1982 and $240.7 million in 1981. Underwriting losses included in operating results totaled $805.0 million in 1983, an increase of 44 percent over 1982 underwriting losses of $559.3 million, which was more than double the $274.6 million reported in 1981. These underwriting losses primarily reflect depressed price levels due to continued intense competition, particularly in the commercial coverages where CIGNA has a high proportion of its business. In addition, increased underwriting expenses and unfavorable claim experience, including increased toxic substance losses, contributed to these underwriting losses. Commercial casualty, property, workers' compensation and reinsurance lines showed the largest increase in underwriting losses, while, in personal lines, increased losses for automobile coverages were partially offset by improved results for homeowners coverages. Catastrophe losses included in underwriting results, which were primarily weather-related, were $73.0 million, $62.0 million and $26.0 million in 1983, 1982 and 1981, respectively.

Net investment income was $580.6 million in 1983, a five percent increase from $555.0 million reported in 1982. The 1982 amount was eight percent greater than that reported in 1981. Lower short-term interest rates and a decline in funds available from operations for investment were more than offset by the sale of several venture capital investments in 1983, the inclusion of fourth quarter net investment income from Crusader Insurance PLC, an insurance company acquired in September 1983, and a shift in investment strategy from lower-yielding equity securities and short-term investments to higher-yielding fixed maturity investments.

Tax benefits, which significantly affected operating results in 1983, totaled $245.4 million, 96 percent greater than 1982, on a pre-tax operating loss of $270.9 million. In 1982, tax benefits of $125.0 million on a pre-tax operating loss of $27.1 million were substantially greater than the 1981 benefits of $18.6 million on pre-tax operating income of $222.1 million. The tax benefits in 1983 and 1982 include taxes currently recoverable and a reversal of prior years' deferred tax provisions. It is not certain that the Company will have the ability to continue to recognize deferred tax benefits in operating income in the future.

Insurance premiums of $3.6 billion were down one percent compared with 1982. Similarly, 1982 insurance premiums decreased three percent from 1981. Intense price competition, which has characterized the industry in recent years, continued throughout 1983.

Property and Casualty liabilities for unpaid losses and loss adjustment expenses aggregated $4.9 billion at December 31, 1983, compared with $4.7 billion in 1982 and $4.4 billion in 1981. Management believes that it has followed appropriate reserving practices in estimating those liabilities.

CIGNA INVESTMENT GROUP

Review of Operations
The CIGNA Investment Group provides a broad range of investment and portfolio management services to CIGNA, its affiliated companies and outside clients. Assets under the Group's management at year-end 1983 totaled $31.6 billion, placing it among the top asset management organizations in the United States.

The mission of the Investment Group is threefold: first, to be a premier provider of investment management and related services for CIGNA's corporate and insurance-related assets; second, to provide investment management services to outside corporate and individual clients; and third, to develop and manage business opportunities in the investment and financial services industry.

Corporate and Insurance Portfolios. At year-end 1983, corporate and insurance-related investment assets under management totaled $24.5 billion. These assets produced a record $2.6 billion of investment income, an increase of 10 percent from 1982. The Group is committed to the active management of these assets to meet specific investment objectives developed with the parent company and its two principal insurance groups.

Important activities related to these portfolios during the year included:

- Segmenting portfolios to better match investments with insurance and corporate business objectives;
- Realizing 1983 equity gains of $247.3 million and shifting substantial proceeds to higher-yielding fixed income investments;
- Utilizing record cash flow from the Company's employee benefits business to commit and close over 200 private placements and mortgages, totaling more than $1.8 billion; and
- Restructuring property-casualty portfolios consistent with tax planning needs.

Fee-based Investment Services. Through two of its investment advisory subsidiaries, CIGNA Investment Management Company and CIGNA Capital Advisers, Inc., the Group also provides management services to corporate and individual clients, including advisory and separate accounts, 14 mutual funds and a closed-end bond fund. Outside client portfolios managed or advised by CIGNA affiliates totaled $7.1 billion in assets at year end.

The Group's historically strong investment performance was sustained in 1983. The principal real estate, pooled fixed income separate accounts, emerging technology equity funds and short-term accounts significantly outperformed market indices for similar investments.

Major activities in 1983 included:

- Creating a sales and marketing organization focused on the sale of investment management services to large corporations and other institutions;
- Launching a closed-end real estate fund of approximately $100 million, designed specifically for nonprofit institutions;

At Avco's Lycoming Division (left to right), CIGNA's Richard R. Anderson discusses investment management with John Delucca and Lycoming's General Manager John Meyers.

• Adding more than $135 million to CIGNA's open-end real estate separate account;

• Launching the Company's second major tax-advantaged investment program for individuals; and

• Developing an immunized single-premium annuity product that generated more than $100 million in sales.

Operating Subsidiaries. The Investment Group also manages operating subsidiaries in related investment-oriented businesses. Their principal objectives are to produce current income, provide inflation protection and achieve future capital gains. In 1983, these businesses and certain other investments produced $29.6 million in after-tax profit, an increase of 18 percent over 1982. For financial reporting purposes, most of these results are included in Other Operations.

Philadelphia Investment Corporation managed CIGNA's interests in various special situations, including oil and gas, drilling rigs and large real estate projects. In 1983, a $150 million Philadelphia hotel and office complex at Logan Square, which is partially owned by the Company, was completed and opened.

CIGNA Real Estate, Inc. was created in 1983 to manage CIGNA's approximately $182 million of corporate real estate investments and to develop new properties. These investments range from conventional office buildings to a major Florida citrus grove.

M.J. Brock & Sons, Inc., CIGNA's California home builder, had record sales and earnings in 1983. The Howard Research and Development Corporation, the Company's Columbia, Maryland, land developer, had record sales of undeveloped land and strong rentals from its commercial properties for the year.

Outlook
Continued strong investment results should be realized in 1984, notwithstanding rapid changes and uncertainties in the financial markets. As insurance evolves into an industry providing broad asset and credit management services, CIGNA Investment Group will play an increasingly important role in the Company's overall financial performance in the years ahead.

Review of Operations
The Affiliated Businesses Group is responsible for the development, acquisition and operation of CIGNA's wholly owned businesses outside of the core insurance and investment areas. Currently, these diversified businesses are concentrated in health care, through prepaid health plans; disability management and health cost containment services; and payroll processing operations. Further, the Group takes equity positions and develops joint ventures in other new businesses consistent with CIGNA's strategic directions.

The Group's role helps ensure the development of entrepreneurial ventures through which CIGNA can profitably enter new, compatible lines of business and enhance its traditional strengths.

Affiliated Businesses' operating income for 1983, which is reported as part of Other Operations, totaled $9.8 million, an increase of 81 percent from the $5.4 million earned in 1982.

Health care is the Group's major business sector and is one in which CIGNA plans to expand. *CIGNA Healthplan, Inc.,* the largest investor-owned network of health maintenance organizations (HMOs) in the United States, provides comprehensive medical care for more than 645,000 people.

The high costs of medical care continue to generate substantial interest in the provision of prepaid health care services. As a first step in a program of expansion, CIGNA Healthplan announced in 1983 the launching of an HMO in Orlando, Florida.

The Group's *Intracorp Division* provides cost containment services that help insurers and employers reduce the cost of their benefit and disability programs, while assisting employees during their return to full productivity.

Intracorp services include those supplied by International Rehabilitation Associates, Inc. (IRA), a worldwide leader in the rehabilitation of injured workers. IRA operates 108 offices throughout the United States, Canada and Australia, with a team of approximately 1,000 medical and vocational rehabilitation specialists.

Additional Intracorp products include a full line of medical review services, such as pre-admission certification and hospital and physician bill review, home health care, and ACORN Services, through which employers can provide a complete range of psychological services to employees.

The acquisition of New Jersey-based *Automatic Business Centers, Inc.* (ABC) during the year brings to CIGNA the strengths and capabilities of a leading U.S. payroll processor. In 1983, ABC processed more than 180,000 payroll checks weekly for more than 5,000 U.S. businesses. In November, ABC acquired National Dynamics of Atlanta, which operates a combined payroll processing and human resource system. The payroll processing business offers the potential for good returns and new distribution opportunities for CIGNA's financial and insurance products.

In addition, in 1982 the Group purchased a 40 percent interest in Asian Oceanic Holdings Limited, a newly formed, Singapore-based merchant bank. It also launched a joint venture trade finance company in September 1983 with United Motor Works, Ltd., a large Malaysian trading company. This Los Angeles-based joint venture, CIGNA UMW Finance, Inc., is expected to finance an estimated $200 million of international trading transactions in its first two years of operation.

Outlook

Prospects for continued revenue and profit growth in Affiliated Businesses are good, especially in health care. Aggressive expansion of health maintenance organization activities is planned in 1984, both through start-ups and acquisitions. Further, Intracorp's line of medical review and cost containment products is experiencing rapid growth. Likewise, expansion of the payroll processing business is planned in 1984 through continued acquisitions and internal growth.

OTHER OPERATIONS

Financial Review

Other Operations include the results of CIGNA's non-insurance subsidiaries engaged primarily in investment, real estate and health care activities. Also included in Other Operations are unallocated corporate expenses and investment income. Operating income totaled $48.5 million in 1983, a five percent increase from $46.1 million in 1982. This increase reflects improved earnings from retail real estate operations and health maintenance organizations. The 1982 results for Other Operations were 21 percent below operating income of $58.3 million in 1981. This decrease reflects the absence of earnings from a health care subsidiary which was sold in August 1981.

Julie Sackett of Motorola reviews prepaid health plans with CIGNA's Kirk Loncar.

LIQUIDITY AND CAPITAL RESOURCES

CIGNA's operations have liquidity requirements which vary among the principal product lines. Life insurance and pension plan reserves are primarily long-term liabilities, while accident and health and property and casualty reserves are predominantly shorter term. Life insurance reserve requirements are usually stable and predictable and are supported primarily by long-term, fixed-income investments. Property and casualty claim demands are less predictable in nature, requiring greater liquidity in the investment portfolio. For the year ended December 31, 1983, CIGNA's funds provided from operations were $1.9 billion, an increase of $0.3 billion from 1982's level. CIGNA's funds provided from premiums, investment income and repayment of principal are reasonably predictable and normally exceed its liquidity requirements for payments of claims, benefits and expenses. However, since available funds cannot always be matched precisely to commitments, imbalances may arise when demands for funds exceed those on hand. CIGNA's size, capital resources and diversity provide the flexibility to manage these imbalances either internally or externally through short-term borrowing. In addition, CIGNA may borrow funds to take advantage of attractive investment opportunities. As of December 31, 1983, short-term borrowings amounted to $588.1 million.

CIGNA's capital resources represent funds available for long-term business commitments. Retained earnings are CIGNA's primary source of capital resources. In addition, CIGNA's financial strength provides the capacity and flexibility to enable it to raise funds in both domestic and international capital markets through issuance of long-term debt and equity securities. Also, CIGNA has established extensive borrowing capacity through lines of credit with banks. CIGNA had $443.6 million of long-term debt outstanding at December 31, 1983, compared with $380.2 million and $286.0 million at December 31, 1982 and 1981, respectively. The increase in long-term debt resulted from the issuance of sterling and Swiss franc notes in connection with the acquisition of Crusader Insurance PLC.

Capital resources provide protection for policyholders and the financial strength to support the underwriting of insurance risks and allow for continued business growth. The amount of capital resources that may be used in any one of these roles is determined by CIGNA's senior management and Board of Directors as well as by regulatory requirements. The allocation of resources to new long-term business commitments is designed to achieve an attractive return, tempered by considerations of risk and the need to support CIGNA's existing businesses. In addition, capital resources may be used to repurchase CIGNA stock, depending upon prevailing market prices and an ongoing review of alternative uses of capital. As of December 31, 1983, CIGNA had expended a total of $125.1 million, including expenditures by its predecessor companies prior to the date of the merger, since repurchases were initiated in late 1981.

Measures of the financial condition of CIGNA's insurance operations vary according to the nature of their business. They include industry accepted measures of surplus adequacy on a statutory basis. For life and health insurance, one such measure is the ratio of the statutory surplus to liabilities, which, expressed as a percentage, was 6.4 percent in 1983, compared to 6.8 percent and 5.7 percent in 1982 and 1981, respectively. For property and casualty insurance, the net premiums written to statutory surplus ratio is a basic measure of the capital resources available to accept risks. This ratio for CIGNA was 2.9 to 1 in 1983, compared to 2.5 to 1 in 1982 and 2.7 to 1 in 1981.

In summary, the capital position of CIGNA is strong. An indicator of this strength is the percentage of long-term debt, including redeemable preferred stock, to common shareholders' equity. In 1983 this percentage for CIGNA was 12 percent, compared to 12 percent in 1982 and 11 percent in 1981.

Effects of Changing Prices and Inflation

See Effects of Changing Prices and Inflation on page 54 for a discussion of inflation-related financial information.

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President, Diversified Insurance Services Division

Marvin A. Levins
President, Group Pension Division

G. Robert O'Brien
President, Group Insurance and Services Division

Peter R. Wilde
Senior Vice President, Financial and Administrative Services Division

Property and Casualty Group

Wilson H. Taylor
President

John E. Baney
President, Broker Division

Guy K. Patterson
President, Reinsurance and Services Division

David J. Prentiss
President, Agency Division

David W. Schrempf
President, International Division

Caleb L. Fowler
Senior Vice President, Impact Team

Richard J. Hoag
Senior Vice President, Human Resources

Lawrence A. Lindstrom
Senior Vice President, Finance

John C. Morrison
Senior Vice President, Underwriting

Affiliated Businesses Group

Robert E. Patricelli
President

V. Gordon Clemons
President, Intracorp

James H. Jackson
Senior Vice President, Systems Products Division

Joseph L. Marcarelli, M.D.
Chairman and Chief Executive Officer, CIGNA Healthplan, Inc.

William J. McBride
Senior Vice President, Finance and Administration

George F. Raymond
President, Automatic Business Centers, Inc.

Albert H. Swanke
Vice President, International Division

CIGNA Investment Group

John K. Armstrong
President

Richard C. Chenoweth
President, M. J. Brock & Sons, Inc.

Herbert P. Evert
President, CIGNA Investment Advisory Company

Warren D. Fuller
President, The Howard Research and Development Corporation

Howard A. Halligan
President, CIGNA Investment Management Company

Richard W. Maine
President, CIGNA Capital Advisers, Inc.

Robert W. Burgess
Senior Vice President, Finance

James E. Malling
Senior Vice President, Marketing

Antonio B. Mon
Senior Vice President, Special Investment Operations

Richard E. Robbins
Vice President, Human Resources

FINANCIAL SECTION

Contents

REPORT OF MANAGEMENT

The management of CIGNA Corporation (CIGNA) is responsible for the consolidated financial statements and all other information presented in this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles determined by management to be appropriate in the circumstances and include amounts based on management's informed estimates and judgments. Financial information presented elsewhere in this Annual Report is consistent with the financial statements. The appropriateness of data underlying such financial information is monitored through internal accounting controls, internal auditors, independent accountants and the Board of Directors acting through an Audit Committee.

CIGNA maintains a system of internal accounting controls designed to provide reasonable assurance to management and the Board of Directors that assets are safeguarded and that transactions are executed in accordance with management's authorization and recorded properly. The system of internal accounting controls is supported by the selection and training of qualified personnel, by the appropriate division of responsibilities and by the company-wide communication of written policies and procedures.

In its corporate policy addressing business ethics, CIGNA has stated its intent to achieve the highest level of legal and ethical standards in the conduct of business activities. Management annually affirms this policy to all employees to promote a constant awareness of the high standards which each person is expected to maintain. Signed statements are obtained annually from all officers and directors attesting to their review of and compliance with CIGNA's business ethics policy.

The Audit Committee of the Board of Directors reviews and reports to the full Board on the appropriateness of CIGNA's accounting policies, the adequacy of its financial controls and the reliability of financial information reported to the public. The Committee is composed solely of outside directors. Ongoing Committee activities include reviewing reports of management and the independent accountants regarding accounting policies and practices, audit results, and internal controls and assessing CIGNA's relationship with its independent accountants. The Committee has direct access to the internal auditors and independent accountants and meets with them several times a year without management present.

The consolidated financial statements have been examined by CIGNA's independent accountants, Price Waterhouse, in accordance with generally accepted auditing standards and have been reviewed by the Audit Committee of the Board of Directors. This examination by Price Waterhouse includes an evaluation of the system of internal accounting controls to the extent necessary to determine the audit procedures required to express their opinion on the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share amounts)		CIGNA		CGC
For the year ended December 31,	1983	1982	1981 (Pro forma & Unaudited)	1981
Revenues				
Insurance premiums	$ 9,013.4	$ 8,680.4	$ 8,128.8	$ 4,200.2
Net investment income	2,618.9	2,384.9	2,106.2	1,389.5
Other revenue	931.5	745.2	661.8	86.6
Total revenues	12,563.8	11,810.5	10,896.8	5,676.3
Benefits, Losses and Expenses				
Benefits, losses and settlement expenses	9,095.4	8,474.9	7,584.7	4,415.1
Policy acquisition expenses	1,011.4	976.1	901.1	283.9
Other operating expenses	2,212.5	1,878.0	1,628.0	578.0
Total benefits, losses and expenses	12,319.3	11,329.0	10,113.8	5,277.0
Operating Income Before Income Taxes	244.5	481.5	783.0	399.3
Income taxes (benefits):				
Current	(42.4)	2.5	66.3	45.4
Deferred	(113.6)	(11.1)	58.7	(2.8)
Total taxes	(156.0)	(8.6)	125.0	42.6
Operating Income	400.5	490.1	658.0	356.7
Realized investment gains, net of taxes	134.5	26.8	28.4	28.4
Net Income	$ 535.0	$ 516.9	$ 686.4	$ 385.1
Earnings Per Common Share				
Operating income	$ 5.26	$ 6.38	$ 8.51	$ 8.65
Realized investment gains, net of taxes	1.77	.35	.37	.68
Net income	$ 7.03	$ 6.73	$ 8.88	$ 9.33

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

CONSOLIDATED BALANCE SHEETS

(In millions)	CIGNA			CGC
As of December 31,	1983	1982	1981 (Pro forma & Unaudited)	1981
Assets				
Investments:				
Fixed maturities	$14,488.3	$12,653.3	$12,071.4	$ 7,727.4
Mortgage loans	6,382.1	5,568.2	5,294.6	5,147.9
Equity securities	1,713.1	1,548.8	1,349.0	536.4
Policy loans	659.7	693.7	668.3	580.2
Real estate	264.5	286.7	195.7	153.6
Other long-term investments	152.0	153.9	71.6	71.6
Short-term investments	872.2	1,682.2	1,300.2	192.8
Total investments	24,531.9	22,586.8	20,950.8	14,409.9
Cash	210.8	122.5	112.1	32.8
Accrued investment income	514.6	462.4	419.2	262.0
Premiums, accounts and notes receivable	2,033.7	1,898.3	1,826.0	552.0
Deferred policy acquisition costs	808.5	850.1	677.2	475.7
Property and equipment, net	635.8	487.4	340.4	131.6
Cost in excess of net tangible assets of businesses purchased	996.8	979.0	1,017.5	20.8
Other assets	1,088.8	983.8	958.4	260.5
Separate account assets	4,295.9	3,025.0	2,349.7	1,888.9
Total	$35,116.8	$31,395.3	$28,651.3	$18,034.2
Liabilities				
Future policy benefits	$ 8,868.9	$ 8,143.5	$ 7,410.8	$ 5,308.1
Pension deposit funds	6,377.0	5,968.7	5,512.3	5,512.3
Unpaid claims and claim expenses	6,070.6	5,607.0	5,390.9	1,900.2
Unearned premiums	1,646.7	1,623.5	1,654.5	434.2
Total insurance liabilities	22,963.2	21,342.7	19,968.5	13,154.8
Short-term notes and current portion of long-term debt	597.2	255.1	153.8	1.9
Accounts payable, accrued expenses and other liabilities	1,375.2	1,226.7	1,225.7	330.9
Income taxes:				
Current	141.7	67.1	162.2	114.3
Deferred	260.2	354.2	210.9	42.1
Long-term debt	434.6	359.6	276.6	46.7
Separate account liabilities	4,295.9	3,025.0	2,349.7	1,888.9
Total liabilities	30,068.0	26,630.4	24,347.4	15,579.6
Redeemable Preferred Stock	157.1	157.0	156.7	—
Common Shareholders' Equity				
Common stock	75.3	75.3	75.1	103.3
Additional paid-in capital	1,771.3	1,769.5	1,761.9	48.7
Net unrealized appreciation on equity securities	168.2	197.0	21.3	21.3
Foreign currency translation losses	(28.2)	(13.8)	—	—
Retained earnings	2,986.4	2,650.8	2,318.6	2,318.6
Less treasury stock, at cost	(81.3)	(70.9)	(29.7)	(37.3)
Total common shareholders' equity	4,891.7	4,607.9	4,147.2	2,454.6
Total	$35,116.8	$31,395.3	$28,651.3	$18,034.2

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

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

(In millions)	CIGNA		CGC
For the year ended December 31,	1983	1982	1981
CGC Common Shareholders' Equity			
at January 1	$ —	$2,454.6	$2,234.2
Effects of CGC/INA Merger			
Common stock	—	(28.2)	—
Additional paid-in capital	—	1,713.2	—
Treasury stock	—	7.6	—
CIGNA Common Shareholders' Equity			
at January 1	4,607.9	4,147.2	—
Common Stock			
Shares issued	—	.2	—
Additional Paid-In Capital			
Shares issued	1.8	7.6	—
Net Unrealized Appreciation on Equity Securities			
Increase (decrease) for the year	(28.8)	175.7	(54.9)
Foreign Currency Translation Losses			
Increase for the year	(14.4)	(13.8)	—
Retained Earnings			
Net income	535.0	516.9	385.1
Dividends declared	(199.4)	(184.7)	(72.5)
Treasury Stock			
Common stock purchased	(10.4)	(41.2)	(37.3)
Common Shareholders' Equity			
at December 31	$4,891.7	$4,607.9	$2,454.6

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

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

(In millions)	CIGNA		CGC
For the year ended December 31,	1983	1982	1981
Financial Resources Provided			
From operations:			
Operating income	$ 400.5	$ 490.1	$ 356.7
Increase in insurance liabilities	1,574.1	1,374.2	705.3
(Increase) decrease in deferred policy acquisition costs	45.2	(172.9)	(32.9)
(Increase) decrease in receivables	(119.6)	(72.3)	2.5
Increase (decrease) in accounts payable, income taxes, accrued expenses and other liabilities	120.2	49.2	(24.4)
Other, net	(108.7)	(18.7)	(25.4)
Resources provided from operations	1,911.7	1,649.6	981.8
Stock issued to INA shareholders in merger:			
Preferred	—	156.7	—
Common	—	1,692.6	—
Proceeds from sales, maturities and scheduled loan repayments of investments	8,236.4	7,515.3	1,091.0
Increase (decrease) in short-term debt	342.1	101.3	(2.3)
Increase (decrease) in long-term debt	75.0	83.0	(12.0)
Total resources provided	10,565.2	11,198.5	2,058.5
Financial Resources Applied			
Increase in net assets excluding cash and short-term investments-CGC/INA merger:			
Investments	—	5,500.4	—
Excess of cost over net tangible assets acquired	—	1,025.3	—
Other assets	—	3,105.0	—
Insurance liabilities	—	(6,813.7)	—
Other liabilities	—	(2,154.4)	—
Cost of investments purchased	10,768.0	8,571.0	1,814.4
Dividends declared	199.4	184.7	72.5
Additions to property and equipment, net	134.2	147.0	25.1
Acquisition of Crusader Insurance PLC excluding cash and short-term investments	122.3	—	—
Treasury stock transactions, net	10.4	41.2	37.3
Other, net	52.6	12.9	(11.3)
Total resources applied	11,286.9	9,619.4	1,938.0
Increase (decrease) in cash and short-term investments	$ (721.7)	$ 1,579.1	$ 120.5

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

NOTES TO FINANCIAL STATEMENTS

Note 1—Summary of Significant Accounting Policies

A) *Basis of Presentation:* The consolidated financial statements at December 31, 1983, 1982 and 1981 pro forma and unaudited include the accounts of CIGNA Corporation (CIGNA) and all significant subsidiaries and the consolidated financial statements at December 31, 1981 include the accounts of Connecticut General Corporation (CGC) and all significant subsidiaries. These consolidated financial statements have been prepared in conformity with generally accepted accounting principles.

CIGNA's 1981 pro forma and unaudited financial statements are based on the assumption that the combination (described in Note 2) occurred at the beginning of 1981. In addition to combining the historic financial position and results of operations of CGC and INA Corporation (INA), the pro forma presentations include adjustments of certain assets, primarily investments in fixed maturities, and liabilities to their fair values. The pro forma financial statements do not reflect the INA gain on disposal of its hospital operations or INA's realized investment gains and losses in 1981.

Certain reclassifications have been made to 1982 and 1981 amounts to conform with the 1983 presentation.

B) *Investments:* Investments in fixed maturities include bonds and redeemable preferred stocks which are carried principally at amortized cost. Equity securities, which include common and non-redeemable preferred stocks, are carried at market values. Mortgage loans and policy loans are carried principally at unpaid principal balances. Real estate is carried at cost less accumulated depreciation, which is generally calculated using the straight-line method.

Realized and unrealized investment gains and losses are shown at the amount accruing to shareholders' equity, after deducting income taxes, participating policyholders' share and pension policyholders' share. Realized gains and losses are reported in income based upon specific identification of the investments sold. When impairment of the value of an investment is considered other than temporary, the decrease in value is reported in income as a realized investment loss and a new cost basis is established. Unrealized equity securities gains and losses, net of deferred income taxes, are reflected directly in common shareholders' equity.

C) *Deferred Policy Acquisition Costs:* Acquisition costs, consisting of commissions, premium taxes and other costs which vary with and are primarily related to the production of property and casualty, group life and a portion of group health insurance business, are deferred and amortized over the terms of the insurance policies. Acquisition costs related to annuity and individual life insurance business are deferred and amortized over the estimated contract premium-paying period of the related policies, with a maximum of 20 years. Deferred acquisition costs are reviewed to determine if they are recoverable from future income, including investment income. If the costs are not recoverable, they are expensed.

D) *Property and Equipment:* Property and equipment are carried at cost less accumulated depreciation. When applicable, cost includes interest and real estate taxes incurred during construction and other construction-related costs. Depreciation is calculated principally on the straight-line method based on the estimated useful lives of the assets.

E) *Separate Accounts:* Separate account assets, generally carried at market value, and liabilities represent policyholder funds maintained in accounts having specific investment objectives. The investment income, gains or losses of these accounts accrue directly to the policyholders. Included in the separate accounts is the long-term life insurance fund of Crusader Insurance PLC, acquired in 1983.

F) *Insurance Liabilities:* Liabilities for future benefits on life and annuity policies are established in amounts adequate to meet the estimated future obligations on policies in force. These liabilities are computed using the net level premium method and are based upon assumptions as to future investment yield, mortality and withdrawals which contain margins for adverse deviations. Estimated liabilities are established for policies which contain experience rating provisions. Future policy benefits for direct individual life insurance policies are computed using interest rates generally ranging from 2½% to 11½% for ordinary life insurance contracts (2% to 14½% for annuity contracts) graded down to 2¼% to 7¾% after 10 to 30 years. Mortality and withdrawal assumptions for all policies have been based on either CIGNA's own experience or various actuarial tables. Future policy benefits for group annuity policies have been computed on a basis of premium assumptions with a provision for adverse deviation.

Premiums on property and casualty and accident and health insurance are reported as earned on a pro-rata basis over the contract period. The unexpired portion of these premiums is recorded as unearned premiums.

Liabilities for unpaid claims and claim expenses are estimates of payments to be made on insurance claims for reported losses and estimates of incurred but not reported losses. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid property and casualty losses are deducted from the liability for unpaid claims.

G) *Premium Revenue and Related Expenses:* Individual life and health insurance and individual and group annuity premiums are considered revenue when due. Property and casualty and group life and health insurance premiums are recognized as revenue over the related contract periods. Benefits, losses and related expenses are matched with premiums, resulting in their recognition over the lives of the contracts. This matching is accomplished through the provision for future benefits, estimated unpaid losses and the amortization of deferred policy acquisition costs.

H) *Participating Business:* Certain life insurance policies contain dividend payment provisions which enable the policyholder to participate in the earnings of the life insurance subsidiaries of CIGNA. The participating insurance in force accounted for 2.0%, 2.1% and 2.5% of the total insurance in force at December 31, 1983, 1982 and 1981 (pro forma), respectively, and 1.9% for CGC at December 31, 1981. The participating policyholders' interest in earnings has been recorded as a liability in the financial statements.

I) *Income Taxes:* CIGNA and its domestic subsidiaries, except certain ineligible life insurance subsidiaries, file consolidated U.S. Federal income tax returns. Beginning in 1981, the Tax Reform Act of 1976 permits eligible life insurance companies owned by CGC for five years or more to file consolidated federal income tax returns with non-life insurance companies, subject to certain statutory restrictions.

Deferred income taxes are provided on operating income and realized investment transactions when revenues and expenses are reported in different periods for financial reporting purposes than for income tax purposes. Such revenues and expenses giving rise to deferred taxes include policy acquisition expenses, undistributed earnings of foreign subsidiaries, policyholders' dividends, life insurance future policy benefits, premium revenues and pension expense. Deferred income taxes are also recognized for net unrealized appreciation on equity securities at the applicable capital gains rates and for foreign currency translation gains and losses in common shareholders' equity. Investment tax credits are recognized on the flow-through method.

Note 2—Acquisitions and Dispositions

During the first quarter of 1982, CGC and INA effected a merger through which they became wholly owned subsidiaries of CIGNA. In conformity with generally accepted accounting principles, this combination has been accounted for as a purchase of INA by CGC effective January 1, 1982.

The total cost of the acquisition was valued at $1,849.3 million, of which $1,692.6 million represents the estimated fair value of 33.9 million shares of CIGNA common stock and $156.7 million represents the estimated fair value of 6.3 million shares of CIGNA preferred stock issued to INA shareholders in the merger. The excess of cost over the fair value of net tangible assets acquired of $1,025.3 million is being amortized on a systematic basis over approximately 20 years to correspond with the benefits derived each year from the net assets acquired. The amortization was $89.3 million and $68.8 million for the years ended December 31, 1983 and 1982, respectively.

During the third quarter of 1983, CIGNA acquired Crusader Insurance PLC (Crusader), a life and property and casualty insurance company headquartered in the United Kingdom. The total cost of the acquisition, which was accounted for as a purchase, aggregated $122.8 million. The fair value of the net tangible assets acquired totaled $27.0 million. The excess of cost over the fair value of the net tangible assets, which is being amortized primarily on a straight-line basis over 30 years, totaled $95.8 million.

In January 1984, CIGNA purchased the unaffiliated members' and shareholders' interests in AFIA and AFIA Finance Corporation, an unincorporated association and a corporation in which CIGNA had 10.4% interests, for $192.6 million plus assumption of the members' share of the net liabilities of AFIA, estimated to be approximately $110.0 million. Both AFIA and AFIA Finance Corporation are principally engaged in the sale of property and casualty insurance in the international market and, combined, had revenues in excess of $500.0 million for the twelve months ended June 30, 1983.

In addition, CIGNA made several other acquisitions and dispositions during 1983, 1982 and 1981 which were not material to the financial statements.

Note 3—Investments

A) *Valuations of Investments:* The December 31 carrying values, cost and market values of investments in fixed maturities and equity securities are shown below. Market values provided for fixed maturities are based on published market values if available or estimates by management. Fixed maturities are generally intended to be held to maturity; therefore, care should be exercised in drawing any conclusions from these estimated values. Valuations of investments at December 31 were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Fixed maturities				
Carrying value	**$14,488.3**	**$12,653.3**	$12,071.4	$ 7,727.4
Cost	**14,488.3**	**12,653.3**	12,071.4	7,727.4
Market value	**13,292.2**	**11,416.9**	9,031.1	5,180.9
Equity securities				
Carrying value	**$ 1,713.1**	**$ 1,548.8**	$ 1,349.0	$ 536.4
Cost	**1,499.9**	**1,276.9**	1,315.9	503.3
Market value	**1,713.1**	**1,548.8**	1,349.0	536.4

B) *Non-income Producing Investments:* The carrying values of investments, including investments in unconsolidated entities carried in the other assets section of the balance sheet at December 31, which were non-income producing for the preceding 12 months were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Fixed maturities	**$ 43.4**	**$ 22.2**	$ 12.1	$ 9.6
Mortgage loans	**38.4**	**33.2**	16.9	16.9
Real estate	**25.4**	**5.1**	6.3	5.9
Other long-term investments	**26.2**	**28.2**	11.3	11.3
Investment in unconsolidated entities	**65.8**	**75.8**	80.8	80.8
Total	**$199.2**	**$164.5**	$127.4	$124.5

C) *Investment Commitments:* Contractual investment commitments of CIGNA amounted to approximately $433.2 million at December 31, 1983. Of this amount, it is estimated that $379.1 million will be disbursed in 1984, $32.9 million in 1985 and $21.2 million in subsequent years.

Note 4—Investment Income and Gains and Losses

A) *Net Investment Income:* The components of net investment income for the year ended December 31 were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Fixed maturities	**$1,422.9**	**$1,324.5**	$1,203.7	$ 701.4
Mortgage loans	**578.2**	**512.8**	470.7	458.5
Equity securities	**104.7**	**96.8**	61.1	32.6
Short-term investments	**190.8**	**241.1**	215.7	71.6
Separate accounts	**263.2**	**211.9**	153.2	121.4
Other investments	**143.1**	**123.6**	118.3	95.1
	2,702.9	**2,510.7**	2,222.7	1,480.6
Less investment expenses	**84.0**	**125.8**	116.5	91.1
Net investment income	**$2,618.9**	**$2,384.9**	$2,106.2	$1,389.5

B) *Realized Investment Gains and Losses:* Realized gains and losses on investments for the year ended December 31 were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Realized gains (losses):				
Fixed maturities	**$ 32.2**	**$ 35.7**	$(21.0)	$(21.0)
Equity securities	**247.3**	**2.1**	68.9	68.9
Real estate	**.3**	**20.1**	10.5	10.5
Other	**(2.6)**	**.4**	(1.3)	(1.3)
	277.2	**58.3**	57.1	57.1
Income taxes	**142.7**	**31.5**	28.7	28.7
Net realized gains	**$134.5**	**$ 26.8**	$ 28.4	$ 28.4

Impairments in the value of investments, which are other than temporary and included in gross realized gains or losses, were $16.1 million, $13.3 million and $6.2 million in 1983, 1982 and 1981 (pro forma), respectively, and $6.2 million for CGC in 1981.

C) *Unrealized Gains and Losses on Equity Securities:* Unrealized gains and losses on equity securities were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
For the year ended December 31:				
Unrealized gains	**$ 190.6**	**$ 300.2**	$ 33.9	$ 33.9
Unrealized losses	**(224.8)**	**(59.4)**	(108.6)	(108.6)
Deferred income taxes (benefits)	**(5.4)**	**65.1**	(19.8)	(19.8)
Net unrealized gains (losses)	**$ (28.8)**	**$ 175.7**	$ (54.9)	$ (54.9)
As of December 31:				
Unrealized appreciation	**$ 267.2**	**$ 316.3**	$ 76.7	$ 76.7
Unrealized depreciation	**(28.8)**	**(43.7)**	(44.9)	(44.9)
Deferred income taxes	**70.2**	**75.6**	10.5	10.5
Net unrealized appreciation	**$ 168.2**	**$ 197.0**	$ 21.3	$ 21.3

D) *Unrealized Gains and Losses on Fixed Maturities:* Gross unrealized gains and losses on fixed maturities are based on estimated market values before policyholder shares. In 1983 and 1982, there were unrealized gains of $40.3 million and $1,803.9 million, respectively. In 1981, for both CIGNA (pro forma) and CGC, there were unrealized losses of $363.8 million. The unrealized gains or losses on fixed maturities are not reflected in the financial statements.

Note 5—Common and Preferred Stock

The common and preferred stock of CIGNA at December 31 were as follows:

	1983	1982	1981 (Pro forma)
Common: Par value $1—200,000,000 shares authorized			
Shares issued	**75,315,644**	**75,275,990**	75,077,000
Treasury shares	**2,024,006**	**1,799,114**	594,294
Outstanding	**73,291,638**	**73,476,876**	74,482,706
Preferred: Par value $1—25,000,000 shares authorized Series A—$2.75 Cumulative Convertible—9,000,000 shares			
Shares issued	**6,408,289**	**6,399,314**	6,377,682
Treasury shares	**110,743**	**110,454**	110,029
Outstanding	**6,297,546**	**6,288,860**	6,267,653

The holders of CIGNA preferred stock are entitled to .42212 of a vote per share, and each share is convertible at the option of the shareholder into .42212 common shares. Preferred stock shall be redeemed at $25.00 per share plus accrued dividends, subject to mandatory sinking fund provisions beginning July 10, 1987. In the event of voluntary or involuntary liquidation, the holders of Series A preferred stock will be entitled to $25.00 per share (plus accrued and unpaid dividends) before any distribution is made to the holders of the CIGNA common stock.

Common stock of CGC consisted of 100,000,000 authorized shares with 41,328,827 shares issued (par value $2.50) at December 31, 1981.

Note 6—Shareholders' Equity and Dividend Restrictions

The insurance departments of various jurisdictions in which CIGNA's insurance subsidiaries are domiciled recognize as net income and surplus (shareholders' equity) those amounts determined in conformity with statutory accounting practices prescribed or permitted by the departments, which differ in certain respects from generally accepted accounting principles. The amount of statutory net income for the year ended and surplus as of December 31 were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Life Insurance Companies:				
Net income	**$ 289.0**	**$ 253.4**	$ 193.7	$ 158.8
Surplus	**1,067.6**	**993.3**	853.7	610.5
Property and Casualty Insurance Companies:				
Net income	**$ 74.6**	**$ 94.3**	$ 193.0	$ 34.4
Surplus	**1,356.6**	**1,520.5**	1,462.1	350.7

CIGNA's insurance subsidiaries are subject to various state regulatory restrictions which limit the maximum amount of annual dividends or other distributions, including loans or cash advances, available to shareholders without prior approval of the Insurance Commissioners. The maximum dividend distribution which may be made by CIGNA's insurance subsidiaries during 1984 without prior approval is $1,104.3 million. The amount of restricted net assets of consolidated subsidiaries as of December 31, 1983 is approximately $2.2 billion, which represents 45.3 percent of total consolidated net assets.

Note 7—Income Taxes

Beginning in 1981, the Tax Reform Act of 1976 enables life insurance companies to elect to file consolidated tax returns with non-life companies, subject to the restriction that only a statutory percentage of eligible non-life tax losses can be applied to offset life company taxable income. Accordingly, allowable eligible non-life tax losses incurred during 1983, 1982 and 1981 by companies owned by CGC for five years or more have been applied to reduce the consolidated current tax provision for such periods. The tax effect of the remaining operating losses has been reflected in operations by the reversal of prior years' deferred income tax provisions.

The life insurance companies are taxed at regular corporate rates in accordance with the Life Insurance Company Income Tax Act of 1959 whereby a portion of their statutory income is not subject to current income taxation but is accumulated in an account designated ''Policyholders' Surplus Account.'' The aggregate balance in this account, $365.0 million at December 31, 1983, would be taxed at applicable current rates only if distributed to shareholders or if the account exceeded a prescribed maximum. There were net additions to the Policyholders' Surplus Account of $70.0 million and $30.0 million in 1983 and 1982, respectively. There were no additions to the Policyholders' Surplus Account in 1981 for CIGNA (pro forma) or CGC. In addition, retained earnings at December 31, 1983, determined in conformity with generally accepted accounting principles, includes an additional amount of approximately $915.0 million which may in the future enter the Policyholders' Surplus Account. No income taxes have been provided on either amount since, in management's opinion, the conditions under which such taxes would be paid are remote.

During 1984, management anticipates that the taxation of life insurance companies will be significantly modified by legislation amending the Internal Revenue Code. The potential effect of any changes on the determination of future years' income taxes cannot be determined until such legislation is enacted. The tax provisions of life insurance companies for 1983 have been computed under the laws in effect at December 31, 1983.

As of December 31, 1983, CIGNA has tax basis net operating loss carryforwards of $417.1 million, of which $26.1 million will be available to offset taxable income through 1995, $59.9 million through 1996, $145.5 million through 1997 and $185.6 million through 1998. Of these carryforwards, $188.2 million will not be available to offset life insurance taxable income in future years. The remaining $228.9 million of loss carryforwards will be available to offset future life insurance taxable income subject to statutory limitations. In addition, the separately taxed life companies have tax basis net operating loss carryforwards of $37.9 million available to offset taxable income through 1998 and capital loss carryforwards of $46.7 million available to offset capital gains through 1986.

A) The components of income tax expense for each year were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Current taxes (benefits):				
U.S. income	**$ (54.8)**	**$ (12.2)**	$ 47.1	$ 43.0
Foreign income	**12.4**	**14.7**	19.2	2.4
Realized investment gains and losses	**100.1**	**21.9**	27.7	27.7
	57.7	**24.4**	94.0	73.1
Deferred taxes (benefits):				
U.S. income	**(114.4)**	**(10.5)**	59.0	(2.8)
Foreign income	**.8**	**(.6)**	(.3)	—
Realized investment gains and losses	**34.7**	**9.6**	1.0	1.0
	(78.9)	**(1.5)**	59.7	(1.8)
Total	**$ (21.2)**	**$ 22.9**	$153.7	$ 71.3

B) Total income tax expense was less than the amount computed using the nominal federal income tax rate of 46% for the following reasons (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Tax at 46%	**$ 236.4**	**$ 248.3**	$ 386.4	$ 209.9
Tax-exempt interest income	**(119.8)**	**(104.4)**	(110.9)	(38.0)
Dividends received deduction	**(43.5)**	**(43.2)**	(46.0)	(29.2)
Special life company adjustments	**(88.1)**	**(71.5)**	(77.0)	(76.1)
Amortization of goodwill	**13.2**	**12.4**	9.8	.5
Investment tax credit	**(16.8)**	**(15.4)**	(9.8)	(2.8)
Other, net	**(2.6)**	**(3.3)**	1.2	7.0
Actual tax expense	**$ (21.2)**	**$ 22.9**	$ 153.7	$ 71.3

C) The tax effects of timing differences which generated deferred taxes for each year were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Policy acquisition expenses	$ 6.7	$ 4.9	$ 22.3	$ 8.2
Benefit and other reserves	(4.9)	8.5	18.6	14.9
Foreign subsidiary income	.3	5.2	4.6	—
Audit premium accrual	10.5	10.1	14.0	(5.6)
Property and casualty underwriting	(14.0)	12.9	9.5	3.6
Reversal of prior years' deferred income tax provisions	(156.5)	(90.5)	(21.5)	(19.3)
Depreciation	3.4	9.6	6.1	.1
Investment gains	34.7	9.6	1.0	1.0
Pension plan deduction	(2.6)	3.1	(3.2)	—
Intangible drilling costs	6.9	6.6	5.5	—
Other, net	36.6	18.5	2.8	(4.7)
Total	$ (78.9)	$ (1.5)	$ 59.7	$ (1.8)

Note 8—Earnings Per Share

Earnings per share calculations are based on the weighted average number of common shares and common share equivalents outstanding, which amounted to 76,122,159, 76,781,370 and 77,299,000 shares for CIGNA in 1983, 1982 and 1981 (pro forma), respectively, and 41,264,792 shares for CGC in 1981.

Note 9—Pension Plans

Certain of CIGNA's subsidiaries provide retirement income benefits to all eligible employees and agents. Pension plans for CGC and INA employees, except as noted below, which were in effect prior to the merger and throughout 1982, were integrated into a single CIGNA Pension Plan effective January 1, 1983. Several other separate pension plans continue to exist for various subsidiaries, agents and foreign employees.

The CIGNA Pension Plan is a non-contributory, defined benefit trusteed plan available to all eligible domestic employees. CIGNA's policy is to provide for pension costs accrued. Annual expense is determined based upon the entry-age normal actuarial cost method plus a 30 year amortization of the unfunded actuarial liability. As an integral part of the consolidation of the different plans, changes were made to provide for uniform benefits, actuarial methods and assumptions. The major change in benefits related to an increase in survivor benefits for approximately half of the plan's participants. The result was to substantially increase the non-vested portion of the accumulated plan benefits. The 1983 pension expense decline resulted from the unification of benefits, methods and assumptions.

Accumulated plan benefits and other relevant financial information for certain CIGNA domestic plans are as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
January 1				
Actuarial present value of accumulated plan benefits:				
Vested	$308.1	$293.5	$275.0	$139.4
Non-vested	48.8	23.3	23.5	14.4
Total	$356.9	$316.8	$298.5	$153.8
Net assets available for benefits:	$595.3	$474.0	$447.2	$219.4
Assumed rates of return	9.25%	8.70%	8.30%	8.50%
Pension expense for the year ended December 31	$ 43.4	$ 47.5	$ 44.9	$ 22.3

The actuarial present value of accumulated benefits is determined based upon the actual earnings and service history of the covered employees as of the date of the computation. The assumed rates of return used in determining the actuarial present value of accumulated plan benefits are based on the rates provided by the Pension Benefit Guaranty Corporation as of the measurement dates.

Note 10—Stock Options and Employee Incentives

During 1983, CIGNA completed the consolidation of certain separate employee compensation plans of CGC and INA which were in effect prior to the merger. The following presents information concerning the consolidated and separate plans.

A) Stock Related Incentive Plans—The CIGNA Executive Stock Incentive Plan authorizes up to 2,500,000 shares of common stock to be awarded to certain key employees as stock options, restricted stock grants or grants of common stock in lieu of cash payable under other incentive plans. As of December 31, 1983, grants or options for stock awarded under the CIGNA Executive Stock Incentive Plan aggregated 187,571 shares. Awards under this plan are determined by the People Resources Committee of the Board of Directors. This plan replaced all prior INA and CGC plans.

The options to purchase CIGNA common stock are awarded at market price on date of grant for all plans. The following changes in the CIGNA stock options outstanding for the year ended December 31 (see table below) include the restatement of all prior years INA common stock options to the equivalent CIGNA common and preferred stock:

	1983		1982		1981	
	Common	Preferred	Common	Preferred	Common	Preferred
Outstanding at January 1	377,218	42,923	290,390	53,763	274,141	50,755
Granted	138,050	—	142,142	—	123,163	22,802
Expired or cancelled	(35,870)	(2,669)	(12,611)	(1,852)	(47,559)	(8,805)
Exercised	(28,431)	(8,622)	(42,703)	(8,988)	(59,355)	(10,989)
Outstanding at December 31	450,967	31,632	377,218	42,923	290,390	53,763
Average exercise price of options exercised	$36.11	$18.06	$28.83	$15.15	$27.54	$14.14

Additional data on CIGNA stock options outstanding at December 31, 1983 are as follows:

Plan	Number of Holders	Common Shares	Average Exercise Price	Preferred Shares	Average Exercise Price	Range of Expiration Dates
Executive Stock Incentive Plan	756	332,050	$44.71	13,869	$20.07	4/90-3/92
Non-Qualified Plan	175	118,917	$34.71	17,763	$18.98	11/85-3/90

B) Matched Savings Plan—The CIGNA Employees Matched Savings Plan is a company sponsored capital accumulation plan supplemented by CIGNA matching contributions. Contributions are invested at the election of the employee in CIGNA common stock, a fixed income fund or a portfolio of non-CIGNA stock. This plan replaced the CG Employees Profit Sharing Plan and the INA Investment Plan. CIGNA will continue to maintain the CG Employees Profit Sharing Plan for existing participants but contributions were suspended after the contribution made in March 1983 for the year ended December 31, 1982. In 1984 and 1985, a special benefit will be paid by CIGNA to those participants employed on the last working day of 1983 and 1984. This special benefit will be based on a percentage of eligible compensation. The company's expense for all of the above plans totaled $28.1 million, $18.8 million and $20.4 million in 1983, 1982 and 1981 (pro forma), respectively, and $17.3 million for CGC in 1981.

Note 11—Segment Information

CIGNA currently operates principally in four segments: Employee Life and Health Benefits, Employee Retirement and Savings Benefits, Individual Financial Services and Property and Casualty. Property and casualty insurance operations include commercial and personal insurance written on a direct and reinsurance assumed basis.

CIGNA has made certain reclassifications among its segments which relate primarily to the Horace Mann Insurance Company. The Horace Mann operations, which were included in the Property and Casualty segment in 1982 and 1981, have been reclassified as part of the Individual Financial Services segment since all Horace Mann business is now managed, marketed and produced as an integral part of that segment.

Summarized financial information with respect to the business segments for the year ended December 31 was as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Revenues				
Employee Life and Health Benefits	**$ 3,082.9**	**$ 2,875.4**	$ 2,590.3	$ 2,149.7
Employee Retirement and Savings Benefits	**2,597.7**	**2,285.9**	1,813.7	1,729.4
Individual Financial Services	**1,753.5**	**1,644.9**	1,511.5	667.3
Total Employee Benefits and Financial Services	**7,434.1**	**6,806.2**	5,915.5	4,546.4
Property and Casualty:				
Commercial	**3,288.9**	**3,415.1**	3,519.6	863.0
Personal	**659.5**	**645.2**	634.2	155.9
Other	**313.5**	**222.0**	218.8	46.5
Total Property and Casualty	**4,261.9**	**4,282.3**	4,372.6	1,065.4
All Other	**867.8**	**722.0**	608.7	64.5
Total	**$12,563.8**	**$11,810.5**	$10,896.8	$ 5,676.3
Operating Income (Losses) Before Income Taxes				
Employee Life and Health Benefits	**$ 228.9**	**$ 206.6**	$ 194.4	$ 142.0
Employee Retirement and Savings Benefits	**78.4**	**66.8**	77.6	75.9
Individual Financial Services	**134.6**	**154.7**	190.6	131.1
Total Employee Benefits and Financial Services	**441.9**	**428.1**	462.6	349.0
Property and Casualty:				
Commercial	**(302.1)**	**(60.1)**	153.9	24.9
Personal	**(45.6)**	**(23.4)**	10.3	7.4
Other	**76.8**	**56.4**	57.9	(2.0)
Total Property and Casualty	**(270.9)**	**(27.1)**	222.1	30.3
All Other	**73.5**	**80.5**	98.3	20.0
Total	**$ 244.5**	**$ 481.5**	$ 783.0	$ 399.3

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Identifiable Assets				
Employee Life and Health Benefits	**$ 3,564.4**	**$ 3,171.1**	$ 2,733.7	$ 2,214.5
Employee Retirement and Savings Benefits	**13,633.0**	**11,738.4**	10,536.8	10,218.5
Individual Financial Services	**6,196.9**	**5,997.5**	5,603.5	3,067.5
Total Employee Benefits and Financial Services	**23,394.3**	**20,907.0**	18,874.0	15,500.5
Property and Casualty:				
Commercial	**6,901.5**	**6,756.3**	6,840.2	1,955.9
Personal	**749.3**	**1,148.7**	820.8	234.9
Other	**2,438.3**	**1,289.6**	1,291.6	25.3
Total Property and Casualty	**10,089.1**	**9,194.6**	8,952.6	2,216.1
All Other	**1,633.4**	**1,293.7**	824.7	317.6
Total	**$35,116.8**	**$31,395.3**	$28,651.3	$18,034.2

Note 12—Reinsurance

In the normal course of business, the insurance subsidiaries assume and cede reinsurance with other insurance companies. Reinsurance is ceded to permit the recovery of a portion of the direct losses; however, such a transfer does not relieve the originating issuer of contingent liability. Insurance liabilities are presented in the financial statements net of reinsurance ceded, except for modified coinsurance reserves. The total amounts deducted from insurance liabilities at December 31 were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Insurance Liabilities				
Employee Benefits and Financial Services	**$ 178.2**	**$ 147.1**	$ 129.2	$ 82.6
Property and Casualty	**2,118.4**	**1,666.9**	1,444.7	458.8

Reinsurance recoverable on unpaid claims included in insurance liabilities above was $1,675.6 million, $1,347.4 million and $1,168.9 million in 1983, 1982 and 1981 (pro forma), respectively, and $320.6 million in 1981 for CGC.

Reinsurance amounts ceded to and assumed from other insurance companies at December 31 were as follows (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Ceded				
Life insurance in force (face value of policies)	**$12,774.0**	**$10,187.9**	$ 8,558.6	$ 5,427.2
Premiums:				
Employee Benefits and Financial Services	**102.0**	**91.6**	96.9	56.1
Property and Casualty	**1,778.3**	**1,787.9**	1,621.3	316.8
Assumed				
Life insurance in force (face value of policies)	**$29,834.6**	**$26,487.6**	$24,325.5	$19,121.4
Percent of total life insurance in force	**23.7%**	**24.1%**	22.3%	21.1%
Premiums:				
Employee Benefits and Financial Services	**$ 316.4**	**$ 298.5**	$ 312.4	$ 196.1
Property and Casualty	**$ 986.1**	**$ 1,043.9**	$ 1,019.1	$ 349.8

Note 13—Leases and Rentals

Rental expenses for operating leases, principally with respect to buildings, amounted to $95.0 million,

$95.5 million and $77.8 million in 1983, 1982 and 1981 (pro forma), respectively. These expenses amounted to $30.6 million for CGC in 1981.

As of December 31, 1983, future net minimum rental payments under non-cancellable operating leases are as follows: 1984—$79.2 million; 1985—$65.4 million; 1986—$44.4 million; 1987—$35.7 million; 1988—$27.7 million. For the remaining years, commitments amount to $82.2 million, aggregating total minimum lease payments of $334.6 million.

Note 14—Long-Term Debt

Long-term debt, net of current maturities, consisted of the following at December 31 (in millions):

	CIGNA			CGC
	1983	1982	1981 (Pro forma)	1981
Unsecured Debt:				
8% Subordinated Exchangeable Debentures due 2007	**$ 99.9**	**$100.0**	$ —	$ —
8⅞% Senior Notes due 1997	**66.0**	**70.5**	75.0	—
13% Sterling Foreign Currency Loan Stock due 2008	**43.6**	—	—	—
12⅜% Sterling Foreign Currency Notes due 1993	**43.6**	—	—	—
5⅛% Swiss Franc Notes due 1988	**29.8**	—	—	—
10% Sterling Foreign Currency Notes due 1988	**29.1**	**32.4**	38.3	—
8¾% Convertible Subordinated Debentures due 2000 (Eurodollar)	**48.6**	**48.6**	49.2	—
Other	**4.4**	**16.0**	21.0	—
	365.0	**267.5**	183.5	—
Secured Debt (Principally with real estate):				
Capitalized leases	**10.3**	**10.6**	7.7	—
Other secured obligations	**59.3**	**81.5**	85.4	46.7
	69.6	**92.1**	93.1	46.7
Total long-term debt	**$434.6**	**$359.6**	$276.6	$ 46.7

CIGNA 8% Subordinated Exchangeable Debentures, due 2007, are exchangeable into 2,334,606 common shares of Paine Webber Incorporated, held by CIGNA, at $42.80 per share. Under the terms of an escrow agreement, the Paine Webber shares for which Debentures are exchangeable may not be sold by CIGNA.

On average, the 8⅞% Senior Notes due 1997 will be outstanding 13.7 years from 1977, based upon mandatory sinking fund requirements which began in 1983. The note agreement also provides for an optional redemption schedule commencing in 1987 and certain other covenants. The more significant covenants, which relate directly to INA, are certain limitations related to the disposition of assets, the incurring of indebtedness, the payment of dividends and investments in and advances to non-insurance subsidiaries. In management's opinion, the above restrictions will have no adverse effect on the payment of dividends or current business practices.

The 13% Sterling Foreign Currency Loan Stock due 2008, the 12⅜% Sterling Foreign Currency Notes due 1993 and the 5⅛% Swiss Franc Notes due 1988 were issued in connection with the acquisition of Crusader in the third quarter of 1983 (described in Note 2).

Current maturities of long-term debt for each of the next five years are as follows: 1984—$9.1 million; 1985—$9.4 million; 1986—$8.6 million; 1987—$9.5 million; 1988—$66.5 million.

As of December 31, 1983, CIGNA had approximately $688 million in unused lines of credit. These lines are negotiated on a fee-equivalent basis and interest rates are negotiated at the time the lines of credit are used.

REPORT OF INDEPENDENT ACCOUNTANTS

Price Waterhouse

THIRTY SOUTH SEVENTEENTH STREET
PHILADELPHIA, PA 19103
215 665-9500

February 15, 1984

The Board of Directors and Shareholders
CIGNA Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, changes in common shareholders' equity and changes in financial position present fairly the financial position of CIGNA Corporation and its subsidiaries (CIGNA) at December 31, 1983 and 1982 and of Connecticut General Corporation and its subsidiaries (CGC) at December 31, 1981, and the results of their operations and the changes in their financial position for each of the two years in the period ended December 31, 1983 and the year ended December 31, 1981 for CIGNA and CGC, respectively, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In addition, we have reviewed, as to compilation only, the pro forma combined balance sheet at December 31, 1981 and the related pro forma combined statement of income for the year then ended. The contribution of INA Corporation and its subsidiaries to pro forma combined assets, common shareholders' equity, revenues and operating income of that year represents 38%, 41%, 48% and 45%, respectively. Separate consolidated financial statements of INA Corporation and its subsidiaries included in the pro forma combined statements were examined by other auditors whose report expressed an unqualified opinion on those statements. In our opinion, such pro forma combined statements have been properly compiled on the basis described in Note 1A to the financial statements.

Price Waterhouse

EFFECTS OF CHANGING PRICES AND INFLATION (Unaudited)

(In millions, except per share amounts)	CIGNA		CGC		
	1983	1982	1981	1980	1979
Financial Information Adjusted for the Change in the Consumer Price Index:					
(Amounts in 1983 Dollars)					
Total revenues	**$12,563.8**	**$12,190.8**	$6,217.8	$6,383.3	$6,986.5
Operating income	**400.5**	**505.9**	390.7	382.9	370.7
Loss from decline in purchasing power of net monetary assets:					
FAS No. 33	**82.4**	**88.4**	143.4	195.6	208.0
CIGNA classifications	**94.0**	**91.6**	161.5	206.4	200.1
Net assets	**4,891.7**	**4,756.3**	2,688.8	2,701.4	2,618.8
Per Common Share Amounts:					
Operating income	**5.26**	**6.59**	9.48	9.26	8.98
Dividends declared (effective rate used for 1982)	**2.48**	**2.37**	1.93	1.84	1.81
Market price as of December 31	**44**	**45**	55	57	48
Average Consumer Price Index (1967 = 100)	**298.4**	**289.1**	272.4	246.8	217.4

The financial statements presented in this annual report were prepared in conformity with generally accepted accounting principles which report the effects of transactions without taking into consideration the changes in the purchasing power of money caused by inflation. The Financial Accounting Standards Board (FASB), the standard-setting body of the accounting profession, requires businesses to report certain financial information from prior years in dollars having the same purchasing power. The adjusted data presented above represents, in part, historical amounts adjusted in accordance with Financial Accounting Standard (FAS) No. 33, Financial Reporting and Changing Prices, for the change in the average Consumer Price Index (CPI) from the particular year to 1983. ''Current cost'' data is not significantly different from the ''constant dollar'' data and, therefore, is not presented.

A gain or loss in purchasing power results when the general level of prices change. As prices increase, the purchasing power of monetary assets decrease, resulting in a loss, while monetary liabilities are repaid with dollars having less purchasing power, resulting in a gain. In determining the ''Gain or Loss from Decline in Purchasing Power of Net Monetary Assets,'' the definition of monetary assets and liabilities is critical.

CIGNA disagrees with the classification of certain items set forth in FAS No. 33. Therefore, the loss from the decline in purchasing power of net monetary assets is presented above as required by FAS No. 33, and also in a manner CIGNA believes to be more appropriate to its business. CIGNA's presentation differs from FAS No. 33 in that it includes investments in common stock, property and casualty unearned premiums and deferred acquisition costs as monetary items.

Unlike an industrial company, CIGNA has a significant amount of net monetary assets because of its large investment portfolio. While the investment portfolio is adversely affected by a decline in purchasing power during periods of inflation, interest rates generally rise during such periods, generating higher investment income that helps to offset this loss.

Inflation continues to erode the purchasing power of the dollar even though it is no longer increasing at the accelerated rate experienced in prior years. CIGNA has responded to the inflationary economy by introducing new products and services to better help insureds cope with inflation. The effect of inflation on each segment of CIGNA's insurance operations is as follows:

Employee Life and Health Benefits: Group life and disability income coverages and related revenues are tied to wages rather than the CPI. As inflation causes increases in wages, revenues and coverages also increase. For group medical plans, medical care inflation not only results in higher claim amounts, but also causes a greater number of insureds to meet and exceed their deductible limits and file claims. Premiums are adjusted to reflect the higher claim levels caused by inflation.

Employee Retirement and Savings Benefits: Both premiums and managed assets for the group pension operation tend to increase due to inflation. Premiums are often related directly to wages; therefore, as wages increase, premiums also increase. Assets increase due to higher investment income and higher premiums as a result of cost of living contributions made by employers.

Individual Financial Services: Premium rates for newly issued permanent policies tend to decrease as inflation causes interest rates to rise and pricing assumptions to change. At the same time, insureds tend to surrender or borrow more extensively against the cash value of their policies. This cash drain is offset, in part, by the higher returns available on new investments.

Property and Casualty: Inflation has an immediate and direct effect on the property and casualty insurance operation. Significantly higher loss and loss adjustment expense costs are incurred as inflation drives up insureds' values and replacement and repair costs. Premiums also increase for most lines of business as a result of increases in payrolls and insureds' values; however, these premium increases are tempered or delayed in part by competition and the regulatory rate-setting environment.

QUARTERLY FINANCIAL DATA (Unaudited)

The following unaudited quarterly financial data is presented on a consolidated basis for the three years ended December 31, 1983, 1982 and 1981. Quarterly financial results necessarily rely heavily on estimates. This and certain other factors, such as the seasonal nature of portions of the insurance business, call for caution in drawing specific conclusions from quarterly consolidated results.

(In millions, except per share amounts)	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
Consolidated Results				
1983 CIGNA				
Total revenues	$2,922.9	$3,192.4	$3,124.2	$3,324.3
Operating income before income taxes	74.2	64.4	79.8	26.1
Operating income	76.6	87.1	125.6	111.2
Net income	91.4	105.7	195.6	142.3
Per common share: Operating income	1.01	1.14	1.65	1.46
Net income	1.20	1.39	2.57	1.87
1982 CIGNA				
Total revenues	$2,836.8	$2,863.3	$2,872.1	$3,238.3
Operating income before income taxes	57.7	114.6	145.0	164.2
Operating income	61.2	117.2	154.7	157.0
Net income	56.3	119.4	199.0	142.2*
Per common share: Operating income	.79	1.52	2.02	2.05
Net income	.73	1.54	2.60	1.86*
1981 CIGNA (pro forma)				
Total revenues	$2,634.1	$2,691.8	$2,731.7	$2,839.2
Operating income before income taxes	155.7	202.4	202.9	222.0
Operating income	120.8	164.9	176.2	196.1
Net income	144.4	171.0	172.3	198.7
Per common share: Operating income	1.57	2.13	2.28	2.53
Net income	1.88	2.20	2.23	2.57
1981 CGC				
Total revenues	$1,383.2	$1,328.4	$1,428.2	$1,536.5
Operating income before income taxes	64.5	99.6	106.4	128.8
Operating income	49.9	83.2	101.1	122.5
Net income	69.2	93.7	97.1	125.1
Per common share: Operating income	1.21	2.01	2.45	2.98
Net income	1.67	2.27	2.35	3.04
Stock and Dividend Data				
1983				
Price range of common stock	$49—37⅝	$51½—46½	$49—39½	$47¼—42⅝
Dividends declared per common share	.62	.62	.62	.62
1982				
Price range of common stock				
CIGNA	—	$55⅜—31½	$39½—31	$48⅝—37¼
CGC	$ 53—47⅝	—	—	—
INA	47⅛—41¾	—	—	—
Dividends declared per common share				
CIGNA	—	.575	.575	.575
CGC	.51	—	—	—
INA	.60	—	—	—
1981				
Price range of common stock				
CGC	$54⅝—41⅞	$57½—48⅝	$51¾—44¾	$58¼—47
INA	45¼—36½	50¾—40	45⅞—37	50¾—40⅛
Dividends declared per common share				
CGC	.38	.44	.44	.44
INA	.60	.60	.60	.60

*Includes a charge in the fourth quarter of $25.8 million ($.34 per share) representing additional amortization of the excess of cost over the fair value of assets acquired in connection with the CGC/INA merger. Earlier quarters have not been restated because the effect was not considered material in any period.

SUPPLEMENTARY FINANCIAL INFORMATION

(In millions) For the year ended December 31,	CIGNA 1983	CIGNA 1982	CIGNA (Pro forma & Unaudited) 1981	1980	1979	1978
Revenues						
Employee Life and Health Benefits:						
Premiums						
Life	$ 428.4	$ 414.3	$ 376.1	$ 342.9	$ 308.2	$ 271.8
Medical	1,331.4	1,177.2	1,068.2	1,070.6	1,133.3	1,046.0
Dental	446.1	454.2	379.6	324.8	295.2	261.9
Long-term disability	279.8	255.0	229.9	204.3	179.8	158.8
Other health	323.8	326.3	320.6	305.6	285.6	261.0
Total premiums	2,809.5	2,627.0	2,374.4	2,248.2	2,202.1	1,999.5
Net investment income	273.4	248.4	215.9	196.7	172.7	140.1
Total	3,082.9	2,875.4	2,590.3	2,444.9	2,374.8	2,139.6
Employee Retirement and Savings Benefits:						
Premiums						
General account	938.2	788.6	542.0	644.5	739.3	666.6
Separate accounts	475.9	474.5	384.0	230.7	82.7	123.3
Total premiums	1,414.1	1,263.1	926.0	875.2	822.0	789.9
Net investment income	1,183.6	1,022.8	887.7	734.6	621.7	528.3
Total	2,597.7	2,285.9	1,813.7	1,609.8	1,443.7	1,318.2
Individual Financial Services:						
Premiums						
Life	524.5	544.0	566.5	583.7	507.9	470.3
Health	118.2	101.1	81.7	75.4	73.5	70.5
Annuities	413.5	383.2	310.9	202.9	156.5	189.1
Property and casualty	176.4	154.8	143.9	131.0	123.0	118.9
Total premiums	1,232.6	1,183.1	1,103.0	993.0	860.9	848.8
Net investment income	474.8	440.8	404.4	344.2	310.1	268.4
Other revenue	46.1	21.0	4.1	.3	.4	3.3
Total	1,753.5	1,644.9	1,511.5	1,337.5	1,171.4	1,120.5
Total Employee Benefits and Financial Services:						
Premiums	5,456.2	5,073.2	4,403.4	4,116.4	3,885.0	3,638.2
Net investment income	1,931.8	1,712.0	1,508.0	1,275.5	1,104.5	936.8
Other revenue	46.1	21.0	4.1	.3	.4	3.3
Total	7,434.1	6,806.2	5,915.5	5,392.2	4,989.9	4,578.3
Property and Casualty:						
Premiums						
Commercial	2,890.2	2,996.7	3,130.5	3,040.9	2,840.4	2,529.7
Personal	616.5	596.0	585.7	588.5	607.0	603.8
Other	50.5	14.5	9.2	19.9	20.3	14.0
Total premiums	3,557.2	3,607.2	3,725.4	3,649.3	3,467.7	3,147.5
Net investment income	580.6	555.0	514.5	444.0	375.4	291.7
Other revenue	124.1	120.1	132.7	102.4	77.3	71.6
Total	4,261.9	4,282.3	4,372.6	4,195.7	3,920.4	3,510.8
All Other:						
Net investment income	106.5	117.9	83.7	18.1	13.0	7.1
Other revenue	761.3	604.1	525.0	409.3	328.7	242.0
Total	867.8	722.0	608.7	427.4	341.7	249.1
Total Consolidated Revenues:						
Premiums	9,013.4	8,680.4	8,128.8	7,765.7	7,352.7	6,785.7
Net investment income	2,618.9	2,384.9	2,106.2	1,737.6	1,492.9	1,235.6
Other revenue	931.5	745.2	661.8	512.0	406.4	316.9
Total	$12,563.8	$11,810.5	$10,896.8	$10,015.3	$ 9,252.0	$ 8,338.2

(In millions)	CIGNA		CIGNA (Pro forma & Unaudited)			
For the year ended December 31,	1983	1982	1981	1980	1979	1978
Operating Income						
Employee Life and Health Benefits	$ 225.6	$ 180.3	$ 160.3	$ 149.2	$ 130.1	$ 105.4
Employee Retirement and Savings Benefits	60.9	59.6	57.6	45.7	40.8	35.6
Individual Financial Services	91.0	106.2	141.1	132.7	118.8	98.7
Total Employee Benefits and Financial Services	377.5	346.1	359.0	327.6	289.7	239.7
Property and Casualty	(25.5)	97.9	240.7	243.6	213.2	226.2
All Other	48.5	46.1	58.3	24.1	11.8	11.8
Total	$ 400.5	$ 490.1	$ 658.0	$ 595.3	$ 514.7	$ 477.7
Employee Benefits and Financial Services Statistics						
Employee Life and Health Benefits:						
Adjusted life and health earned premiums	$ 4,477.0	$ 3,786.7	$ 3,294.0	$ 2,855.5	$ 2,475.3	$ 2,143.2
Employee Retirement and Savings Benefits:						
Assets under management	$14,747.4	$12,738.5	$11,635.6	$10,623.3	$ 8,907.2	$ 7,608.4
Individual Financial Services:						
New life insurance sales (face value)	$12,250.2	$ 9,500.3	$10,112.1	$ 7,447.4	$ 6,448.2	$ 5,891.3
Life insurance in force	$42,130.0	$39,178.5	$37,858.9	$33,357.7	$30,246.7	$27,735.1
Property and Casualty Statistics						
GAAP net premiums written	$ 3,529.3	$ 3,540.3	$ 3,776.5	$ 3,737.2	$ 3,568.8	$ 3,292.9
GAAP underwriting loss	$ (805.0)	$ (559.3)	$ (274.6)	$ (197.9)	$ (168.1)	$ (6.6)
Statutory underwriting ratios:						
Loss and loss expense	84.0%	79.4%	73.7%	73.4%	73.8%	69.7%
Expense	35.8	35.4	32.4	31.3	30.0	29.4
Combined	119.8%	114.8%	106.1%	104.7%	103.8%	99.1%
Combined after policyholders' dividends	121.3%	116.7%	107.6%	106.0%	104.9%	99.9%

During the first quarter of 1982, Connecticut General Corporation (CGC) and INA Corporation (INA) effected a merger through which they became wholly owned subsidiaries of CIGNA Corporation (CIGNA). For accounting purposes, the combination was effective as of January 1, 1982.

Generally Accepted Accounting Principles (GAAP) require that pro forma financial information be provided only for 1981, the year preceding the merger. However, for informational purposes, pro forma financial information is being provided for the years 1978 through 1981. The 1981 pro forma financial information is based on the assumption that the merger occurred at the beginning of that year and reflects adjustments, required by GAAP, of certain assets and liabilities to their fair value. The pro forma financial information for 1978 through 1980 represents the combination of CGC and INA financial data without such adjustments since, in management's opinion, the effect of such adjustments would be immaterial.

The unaudited pro forma financial information provided is not necessarily indicative of the actual results that would have occurred had the combination of CGC and INA been consummated in any of the years presented. Therefore, caution should be exercised in drawing conclusions from this financial information.

SELECTED FINANCIAL DATA

In comparing CIGNA and CGC selected financial data, care should be exercised. See the Consolidated Financial Review on page 22 of this report for a more detailed discussion.

(In millions, except per share amounts)	CIGNA			CGC		
	1983	1982	1981 (Pro forma & Unaudited)	1981	1980	1979
Revenues	**$12,563.8**	**$11,810.5**	$10,896.8	$ 5,676.3	$ 5,279.4	$ 5,090.0
Operating income	**400.5**	**490.1**	658.0	356.7	316.7	270.1
Total assets	**35,116.8**	**31,395.3**	28,651.3	18,034.2	16,741.6	14,949.8
Long-term debt	**434.6**	**359.6**	276.6	46.7	58.7	64.7
Redeemable preferred stock	**157.1**	**157.0**	156.7	—	—	—
Operating income per common share	**5.26**	**6.38**	8.51	8.65	7.66	6.54

	1983	1982		1981	1980	1979
Dividends declared per common share:						
CIGNA	**$ 2.48**	**$ 1.725**		—	—	—
CGC	**—**	**.51**		$ 1.76	$ 1.52	$ 1.32
INA	**—**	**.60**		2.40	2.25	2.05

CORPORATE INFORMATION

Principal Officers

*Ralph S. Saul
Chairman of the Board

Robert D. Kilpatrick
President and Chief Executive Officer

John K. Armstrong
Executive Vice President, Chief Investment Officer and President–CIGNA Investment Group

Hartzel Z. Lebed
Executive Vice President and President–Employee Benefits and Financial Services Group

Robert E. Patricelli
Executive Vice President and President–Affiliated Businesses Group

Andrew M. Rouse
Executive Vice President

James G. Stewart
Executive Vice President and Chief Financial Officer

Wilson H. Taylor
Executive Vice President and President–Property and Casualty Group

George R. Trumbull, III
Executive Vice President

James W. Walker, Jr.
Executive Vice President and General Counsel

Allan Z. Loren
Senior Vice President

Charles H. Stamm, III
Senior Vice President

Barry F. Wiksten
Senior Vice President

Paul B. Lukens
Controller

Robert L. Robinson
Corporate Secretary

Paul H. Rohrkemper
Treasurer

**Mr. Saul has resigned effective April 25, 1984. The Board has announced its intention to elect Robert D. Kilpatrick to the additional office of Chairman at that time.*

Annual Meeting

The annual meeting of the shareholders of CIGNA Corporation will be held at the Four Seasons Hotel, One Logan Square, Philadelphia, Pennsylvania on Wednesday, April 25, 1984 at 9:30 a.m.

Proxies and proxy statements are being mailed to shareholders of record as of March 6, 1984. At December 31, 1983, there were 29,508 common and 17,342 preferred shareholders of record.

Additional Information, Including Form 10-K

Four supplements to this report are available from CIGNA. The first is a Statistical Supplement that provides financial information in more detail than is contained in this report. The second is a complete list of investments. Another is the Form 10-K, to be filed by March 30, 1984 with the Securities and Exchange Commission, and the fourth is a proxy voting report on managed securities. To obtain any of these, please write to:

CIGNA Corporation
Shareholder Services Department
1600 Arch Street
Philadelphia, PA 19103
(215) 241-4979

Offices and Principal Subsidiaries

CIGNA Corporation
One Logan Square
Philadelphia, PA 19103
(215) 557-5000

Connecticut General Life Insurance Company
Hartford, CT 06152
(203) 726-6000

Insurance Company of North America
1600 Arch Street
Philadelphia, PA 19103
(215) 241-4000

Dividend Reinvestment and Stock Purchase Plan

CIGNA Corporation offers its common and preferred shareholders a dividend reinvestment and stock purchase service. Shareholders of record can reinvest their quarterly dividends automatically and make optional cash purchases of additional common shares without payment of any brokerage commission or service charge. For information on the plan, please contact:

Morgan Guaranty Trust Company of New York
Dividend Reinvestment Plans
P.O. Box 3506—Church Street Station
New York, NY 10242
(212) 587-6525

Stock Listing

CIGNA's common and preferred shares are traded on the New York Stock Exchange, Pacific Stock Exchange and Philadelphia Stock Exchange. The ticker symbol is CI for the common and CI pr A for the preferred shares.

Transfer Agent

Morgan Guaranty Trust Company of New York
Stock Transfer Department—Agency Section
30 West Broadway
New York, NY 10015
(212) 587-6592

Board of Directors

Evelyn Berezin
President, Greenhouse Management Corporation, a venture capital investment fund

Robert J. Carlson
President, United Technologies Corporation, a diversified high technology company

William T. Coleman, Jr.
Senior Partner, O'Melveny & Myers, a law firm

Alfred C. DeCrane, Jr.
President, Texaco Inc., an integrated oil, gas and chemical manufacturer

Charles D. Dickey, Jr.
Retired Chairman of the Board, Scott Paper Company, a paper manufacturer

James F. English, Jr.
President, Trinity College

Stafford R. Grady
Chairman of the Board, Lloyds Bank California, a commercial banking institution

Walter E. Hanson
Financial Consultant

Frank S. Jones
Ford Professor of Urban Affairs, Massachusetts Institute of Technology

Marion S. Kellogg
Retired Vice President, General Electric Company, an electric/electronic manufacturer

Robert D. Kilpatrick
President and Chief Executive Officer, CIGNA Corporation

Gerald D. Laubach
President, Pfizer Inc., a pharmaceutical manufacturer

Donald E. Meads
Chairman and President, Carver Associates, Inc., a management services company

Paul F. Oreffice
President and Chief Executive Officer, The Dow Chemical Company, a manufacturer of chemicals, metals, plastics and other products

Ralph S. Saul
Chairman of the Board, CIGNA Corporation

James H. Torrey
Chairman of the Board, CIGNA Mutual Funds

Richard F. Vancil
Professor, Harvard Business School

Hicks B. Waldron
Chairman, President and Chief Executive Officer, Avon Products, Inc., a manufacturer of cosmetics, toiletries and jewelry

Ezra K. Zilkha
President, Zilkha & Sons, Inc., an investment company

Executive Committee

The Executive Committee deals with matters requiring Board action at times when convening a full Board meeting is difficult or unnecessary. The Committee exercises the authority of the Board in the management of the business of the Corporation between regular meetings of the Board.

Ralph S. Saul, Chairman
Charles D. Dickey, Jr.
Stafford R. Grady
Robert D. Kilpatrick
Gerald D. Laubach
James H. Torrey

Audit Committee

The Audit Committee's responsibilities include recommending independent public accountants, meeting with and reviewing the work of internal and external auditors, reviewing the plan for audits by the independent public accountants and internal auditors, reviewing the financial statements, and monitoring compliance with the Corporation's financial and non-financial policies and procedures.

Walter E. Hanson, Chairman
Evelyn Berezin
Stafford R. Grady
Gerald D. Laubach
Donald E. Meads
Richard F. Vancil

Committee on Directors

The Committee on Directors reviews and makes recommendations, as appropriate, with respect to the structure, organization and performance of the Board. It also makes recommendations to the Board with respect to Nominees for election as Directors of the Corporation.

Gerald D. Laubach, Chairman
William T. Coleman, Jr.
Charles D. Dickey, Jr.
Stafford R. Grady
Paul F. Oreffice
Ralph S. Saul
Richard F. Vancil
Hicks B. Waldron

Finance Committee

The Finance Committee reviews and reports to the Board on the management of the Corporation's financial resources as well as reviews and approves the policies of the Corporation regarding the management of these resources.

Ralph S. Saul, Chairman
Evelyn Berezin
Robert J. Carlson
Walter E. Hanson
Robert D. Kilpatrick
Donald E. Meads
Paul F. Oreffice
Richard F. Vancil
Ezra K. Zilkha

Investment Committee

The Investment Committee approves and oversees the implementation of the investment policy of the Corporation and its subsidiaries.

Ezra K. Zilkha, Chairman
Alfred C. DeCrane, Jr.
James F. English, Jr.
Robert D. Kilpatrick
Donald E. Meads
Paul F. Oreffice
Ralph S. Saul
James H. Torrey

People Resources Committee

The People Resources Committee reviews and reports to the Board on the management of the Corporation's human resources, including personnel policies and policy controls, the development of people, and compensation and benefits programs.

Hicks B. Waldron, Chairman
Robert J. Carlson
Alfred C. DeCrane, Jr.
Charles D. Dickey, Jr.
James F. English, Jr.
Frank S. Jones
Marion S. Kellogg

Public Issues Committee

The Public Issues Committee reviews and reports to the Board on the Corporation's positions on significant external issues, including community affairs, corporate contributions, government relations, corporate public affairs and other matters of public interest.

Paul F. Oreffice, Chairman
William T. Coleman, Jr.
Alfred C. DeCrane, Jr.
Frank S. Jones
Marion S. Kellogg
Robert D. Kilpatrick
Ralph S. Saul
James H. Torrey

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Top Left *Left to right:* Ezra K. Zilkha, Robert J. Carlson and Marion S. Kellogg

Bottom Left *Left to right:* Charles D. Dickey, Jr., Richard F. Vancil and Walter E. Hanson

Top Right *Left to right:* Evelyn Berezin, Ralph S. Saul, Frank S. Jones and Gerald D. Laubach

Center *Left to right:* James F. English, Jr., Stafford R. Grady, James H. Torrey, Alfred C. DeCrane, Jr. and William T. Coleman, Jr.

Bottom Right *Left to right:* Donald E. Meads, Hicks B. Waldron, Paul F. Oreffice and Robert D. Kilpatrick

CIGNA[SM]

CIGNA Corporation
One Logan Square
Philadelphia, PA 19103