

In the  
**United States Court of Appeals**  
for the **Second Circuit**

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AUGUST TERM 2018

No. 17-3484-cv

MINOHOR SINGH,  
Individually and On Behalf of All Others Similarly Situated,  
*Lead Plaintiff-Appellant,*

v.

CIGNA CORPORATION, DAVID CORDANI, THOMAS A. MCCARTHY,  
HERBERT A. FRITCH, RICHARD APPEL,  
*Defendants-Appellees.\**

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On Appeal from the United States District Court  
for the District of Connecticut

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ARGUED: OCTOBER 2, 2018  
DECIDED: MARCH 5, 2019

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\* The Clerk of Court is directed to amend the caption as set out above.

Before:

CABRANES and SACK, *Circuit Judges*, and KOELTL, *District Judge*.<sup>†</sup>

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Lead Plaintiff-Appellant Minohor Singh, individually and on behalf of all other similarly situated, (“Plaintiffs”) appeals from an October 2, 2017 judgment of the United States District Court for the District of Connecticut (Vanessa L. Bryant, *Judge*) dismissing this class action alleging violations of federal securities laws by Cigna Corporation (“Cigna”) and certain of its officers (jointly, “Defendants”). Plaintiffs claim that certain of Defendants’ statements were materially misleading, constituting fraud under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Securities and Exchange Commission (“SEC”) Rule 10b-5. The District Court determined that the alleged misstatements do not constitute fraud under the relevant legal standards and granted Defendants’ motion to dismiss. We conclude that a reasonable investor would not rely on the challenged statements as representations of regulatory compliance. Accordingly, we affirm.

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DAVID J. GOLDSMITH (James W. Johnson,  
Michael H. Rogers, James T. Christie, *on the*

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<sup>†</sup> Judge John G. Koeltl, of the United States District Court for the Southern District of New York, sitting by designation.

*brief*) Labaton Sucharow LLP, New York, NY, *for Plaintiff-Appellant*.

ANDREW W. STERN (James O. Heyworth, Francesca E. Brody, *on the brief*) Sidley Austin LLP, New York, NY, *for Defendant-Appellee*.

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JOSÉ A. CABRANES, *Circuit Judge*:

This case presents us with a creative attempt to recast corporate mismanagement as securities fraud. The attempt relies on a simple equation: first, point to banal and vague corporate statements affirming the importance of regulatory compliance; next, point to significant regulatory violations; and *voilà*, you have alleged a prima facie case of securities fraud! The problem with this equation, however, is that such generic statements do not invite reasonable reliance. They are not, therefore, *materially* misleading, and so cannot form the basis of a fraud case.

Lead-Plaintiff Minohor Singh, on behalf of himself and other shareholders, (“Plaintiffs”) appeals from an October 2, 2017 judgment of the United States District Court for the District of Connecticut (Vanessa L. Bryant, *Judge*) dismissing this class action alleging violations of federal securities laws by Cigna Corporation (“Cigna”) and certain of its officers (jointly, “Defendants”). Plaintiffs claim that certain of Defendants’ statements were materially misleading,

constituting fraud under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Securities and Exchange Commission (“SEC”) Rule 10b-5. The District Court determined that the alleged misstatements do not constitute fraud under the relevant legal standards and granted Defendants’ motion to dismiss. We conclude that a reasonable investor would not rely on the challenged statements as representations of regulatory compliance. Accordingly, we affirm.

## I. BACKGROUND

1           *Cigna’s Acquisition of HealthSpring:*

2           In early 2012, Cigna, a multi-national health services  
3 organization incorporated in Delaware, purchased HealthSpring Inc.,  
4 a successful regional Medicare insurer based in Nashville, Tennessee,  
5 for \$3.8 billion.<sup>1</sup> The goal of the acquisition was to bring Cigna into the  
6 fast-growing Medicare insurance market, complementing Cigna’s  
7 commercial health business with Medicare offerings as current Cigna  
8 customers aged. Initially, the acquisition appeared to produce  
9 benefits: within a year, HealthSpring had become Cigna’s largest  
10 source of revenue.

11           *Defendants’ Statements Concerning Regulatory Compliance:*

12           Cigna’s leadership was aware that HealthSpring’s extensive  
13 Medicare business subjected the company to significant regulatory

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<sup>1</sup> Unless otherwise noted, the factual background is drawn from the Second Amended Complaint, J.A. 74-160, and the District Court Memorandum of Decision, SPA 1-18.

1 responsibilities. Indeed, during the acquisition and over the next two  
2 years, Cigna and its officers issued several public statements  
3 concerning Cigna’s commitment to regulatory compliance. As  
4 relevant here, these statements include the following:

5         *First*, on February 27, 2014, Cigna filed its 2013 Form 10-K. In a  
6 section titled “Regulation,” Cigna claimed to have “established  
7 policies and procedures to comply with applicable requirements.”<sup>2</sup>  
8 Similarly, in a section titled “Medicare Regulations,” Cigna asserted  
9 that it “expect[s] to continue to allocate significant resources” to  
10 various compliance efforts.<sup>3</sup> Importantly, the same paragraph also  
11 cautioned that Cigna’s Medicare business was “subject to . . .  
12 numerous and complex regulations and requirements that are  
13 frequently modified and subject to administrative discretion.”<sup>4</sup>

14         *Second*, in December 2014, Cigna published a pamphlet titled  
15 “Code of Ethics and Principles of Conduct.” The pamphlet includes  
16 statements from senior Cigna executives affirming the importance of  
17 compliance and integrity. In particular, the pamphlet stated that “it’s  
18 so important for every employee . . . to handle, maintain, and report  
19 on [Cigna’s financial] information in compliance with all laws and  
20 regulations,” and that “we have a responsibility to act with integrity

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<sup>2</sup> J.A. 215.

<sup>3</sup> *Id.* at 218.

<sup>4</sup> *Id.*

1 in all we do, including any and all dealings with government  
2 officials.”<sup>5</sup>

3 *Third*, on February 26, 2015, Cigna filed its 2014 Form 10-K. Like  
4 the 2013 Form 10-K, this form states that Cigna “expect[s] to continue  
5 to allocate significant resources” to compliance.<sup>6</sup> The 2014 form,  
6 however, omits the claim that Cigna has “established policies and  
7 procedures to comply with applicable requirements.” Additionally, it  
8 contains an expanded discussion of the difficulty of compliance given  
9 the regulatory uncertainty surrounding legislation and  
10 implementation of national healthcare reform.<sup>7</sup>

11 *Cigna’s Regulatory Compliance Challenges:*

12 During the period these statements were released, however,  
13 Cigna’s Medicare operations experienced a series of compliance  
14 failures.

15 Prior to its acquisition by Cigna, HealthSpring had never been  
16 sanctioned or cited for non-compliance by the Centers for Medicare  
17 and Medicaid Services (“CMS”), the regulatory body that oversees  
18 Medicare services. From April 2014 through December 2015, however,  
19 Cigna received more than 75 CMS notices for a variety of compliance  
20 infractions. Although Plaintiffs do not specify the severity of each

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<sup>5</sup> *Id.* at 411, 417.

<sup>6</sup> *Id.* at 200.

<sup>7</sup> *Id.* at 196-97.

1 notice, such notices vary in seriousness from a Notice of Non-  
2 Compliance” (which CMS describes as its “[m]ildest type of letter . . .  
3 not contain[ing] specific language regarding further compliance  
4 escalation or other consequences should the behavior/non-compliance  
5 continue”) to the more severe “Corrective Action Plan” (which  
6 “indicates continuing and/or severe, systemic problems”).<sup>8</sup>

7 In October 2015, CMS conducted an extensive audit of Cigna’s  
8 Medicare operations. On January 21, 2016, CMS informed Cigna by  
9 letter that CMS auditors had concluded that “Cigna substantially  
10 failed to comply with CMS requirements” regarding coverage  
11 determinations, appeals, benefits administration, compliance program  
12 effectiveness and similar matters.<sup>9</sup> The letter also notes that “Cigna has  
13 had a longstanding history of non-compliance with CMS  
14 requirements” as demonstrated by the receipt of numerous prior  
15 notices.<sup>10</sup> CMS also informed Cigna that it would impose intermediate  
16 sanctions suspending enrollment of Medicare beneficiaries effective at  
17 11:59 p.m. that night. The next day, Cigna filed a Form 8-K disclosing  
18 its receipt of the CMS letter and the accompanying sanctions.

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<sup>8</sup> *Id.* at 349.

<sup>9</sup> *Id.* at 166.

<sup>10</sup> *Id.*

1           *Cigna's Stock Price Drops and Plaintiffs File Suit:*

2           Over the next four days, Cigna's stock price fell substantially,  
3 from \$140.13 to \$135.85.<sup>11</sup>

4           On February 4, 2016, Cigna investor Jyotindra Patel filed a  
5 putative class action against Cigna on behalf of all individuals who  
6 had acquired Cigna securities between February 27, 2014 (the date of  
7 the 2013 Form 10-K) and January 21, 2016 (the date of the CMS letter  
8 and sanction).<sup>12</sup> On April 4, 2016, Plaintiff-Appellant Minohor Singh  
9 moved for appointment as lead plaintiff, arguing that he (rather than  
10 Patel) was the "most adequate" representative due to his "substantial  
11 financial interest" and retention of a "nationally recognized securities  
12 class action litigation firm."<sup>13</sup> On May 17, 2016 the District Court  
13 granted Singh's motion.<sup>14</sup>

14           On July 29, 2016, Cigna announced that it had already spent  
15 nearly \$30 million to remedy the compliance violations, but that it may  
16 "not be able to address matters arising from the [CMS Sanctions]

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<sup>11</sup> *Id.* at 87.

<sup>12</sup> *See Singh v. Cigna Corp.*, No. 3:16-cv-182 (VLB), Dkt. No. 1 at 2.

<sup>13</sup> *See id.*, Dkt. No. 27-1 at 1-2.

<sup>14</sup> *See id.*, Dkt. No. 34 at 1.



1 Notice in a timely and satisfactory manner.”<sup>15</sup> At the close of trading  
2 on August 2, 2016, Cigna’s stock price had fallen to \$124.13 per share.

3 On August 1, 2016 Plaintiffs (now represented by Lead Plaintiff  
4 Singh) filed an amended complaint,<sup>16</sup> and on November 30, 2016,  
5 Plaintiffs filed a second amended complaint, extending the class  
6 period to August 2, 2016.<sup>17</sup> On February 13, 2017, Defendants filed a  
7 motion to dismiss, and on October 2, 2017, the District Court entered  
8 judgement granting the motion. This appeal followed.

## 9 II. DISCUSSION

10 “We review the grant of a motion to dismiss *de novo*, accepting  
11 as true all factual claims in the complaint and drawing all reasonable  
12 inferences in the plaintiff’s favor.”<sup>18</sup> To avoid dismissal under Section  
13 10(b) and Rule 10b-5, a complaint must plausibly allege: “(1) a material  
14 misrepresentation (or omission); (2) scienter, *i.e.*, a wrongful state of  
15 mind; (3) a connection with the purchase or sale of a security; (4)

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<sup>15</sup> J.A. 88. Although the complaint does not provide a citation, the above quotation appears to be drawn from Cigna’s 10-Q. See Cigna Second Quarter Form 10-Q (July 29, 2016), available at <https://www.cigna.com/about-us/investors/quarterly-reports-and-sec-filings/>. See also, *Tellabs, Inc. v. Makor Issues & Rights, Ltd.*, 551 U.S. 308, 322 (2007) (“courts ordinarily examine . . . documents incorporated into the complaint by reference”).

<sup>16</sup> See *Singh v. Cigna Corp.*, No. 3:16-cv-182 (VLB), Dkt. No. 40.

<sup>17</sup> See *id.*, Dkt. No. 57.

<sup>18</sup> *Fink v. Time Warner Cable*, 714 F.3d 739, 740–41 (2d Cir. 2013).

1 reliance . . . ; (5) economic loss; and (6) loss causation.”<sup>19</sup> Plaintiffs must  
2 allege those facts that give rise to an inference of scienter “with  
3 particularity.”<sup>20</sup>

4 Here, the District Court dismissed the second amended  
5 complaint on the grounds that Plaintiffs failed to sufficiently allege  
6 both materially false statements and scienter. On appeal, Plaintiffs  
7 contest both holdings. Because we agree with the District Court  
8 regarding the absence of a material, false statement, we need not reach  
9 the issue of scienter.

10 An alleged misrepresentation is material if “there is a  
11 substantial likelihood that a reasonable person would consider it  
12 important in deciding whether to buy or sell shares of stock.”<sup>21</sup> Such a  
13 statement must, in the view of a reasonable investor, have  
14 “significantly altered the ‘total mix’ of information made available.”<sup>22</sup>  
15 The statement must also be “mislead[ing],” evaluated not only by  
16 “literal truth,” but by “context and manner of presentation.”<sup>23</sup>

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<sup>19</sup> *Kleinman v. Elan Corp., plc*, 706 F.3d 145, 152 (2d Cir. 2013) (internal quotation marks and brackets omitted).

<sup>20</sup> *ATSI Commc’ns, Inc. v. Shaar Fund, Ltd.*, 493 F.3d 87, 99 (2d Cir. 2007).

<sup>21</sup> *Operating Local 649 Annuity Tr. Fund v. Smith Barney Fund Mgmt. LLC*, 595 F.3d 86, 92–93 (2d Cir. 2010) (internal quotation marks and brackets omitted)

<sup>22</sup> *ECA, Local 134 IBEW Joint Pension Tr. of Chicago v. JP Morgan Chase Co.*, 553 F.3d 187, 197 (2d Cir. 2009) (quoting *Basic Inc. v. Levinson*, 485 U.S. 224, 231-32 (1988)) (internal quotation mark omitted).

<sup>23</sup> *Operating Local 649*, 595 F.3d at 92 (brackets omitted).

1           On appeal, Plaintiffs highlight the three groups of statements  
2 discussed above, *i.e.*, the 2013 and 2014 Form 10-K statements and the  
3 2014 Code of Ethics statements. Plaintiffs' argument that these  
4 statements are materially misleading rests on two premises: (1) that a  
5 reasonable stockholder would rely on these statements as  
6 representations of satisfactory legal compliance by Cigna; and (2) that  
7 when the statements were made, Cigna was not, in fact, legally  
8 compliant. We reject the first claim. A reasonable stockholder would  
9 not "consider [these statements] important in deciding whether to buy  
10 or sell shares of stock."<sup>24</sup> They cannot, therefore, constitute "material  
11 misstatements."

12           Like the District Court, we think that the statements in Cigna's  
13 Code of Ethics are a textbook example of "puffery." We have observed  
14 that "general statements about reputation, integrity, and compliance  
15 with ethical norms are inactionable 'puffery,' meaning that they are  
16 too general to cause a reasonable investor to rely upon them."<sup>25</sup> The  
17 Code of Ethics statements, which amount to general declarations  
18 about the importance of acting lawfully and with integrity, fall  
19 squarely within this category.

20           We similarly think that a reasonable investor would not rely on  
21 the 2013 and 2014 Form 10-K statements as representations of

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<sup>24</sup> *Id.* at 92-93 (internal quotation marks and brackets omitted).

<sup>25</sup> *City of Pontiac Policemen's & Firemen's Ret. Sys. v. UBS AG*, 752 F.3d 173, 183 (2d Cir. 2014) (internal quotation marks omitted).

1 satisfactory compliance. In the past, when we have found that  
2 descriptions of compliance efforts amounted to actionable assurances  
3 of actual compliance, the descriptions of such efforts were far more  
4 detailed.<sup>26</sup> For example, in *Meyer v. Jinkosolar*, the case on which  
5 Plaintiffs principally rely, we emphasized that the company described  
6 its compliance mechanisms in confident detail, including references to  
7 24-hour monitoring teams, specific compliance equipment, and its  
8 clean compliance record. We illustrated that detail with a lengthy  
9 quotation from the company's prospectus:

10 We have installed pollution abatement equipment at our  
11 facilities to process, reduce, treat, and where feasible, recycle the  
12 waste materials before disposal, and we treat the waste water,  
13 gaseous and liquid waste and other industrial waste produced  
14 during the manufacturing process before discharge. We also  
15 maintain environmental teams at each of our manufacturing  
16 facilities to monitor waste treatment and ensure that these waste  
17 emissions comply with People's Republic of China  
18 environmental standards. Our environmental teams are on duty  
19 24 hours. We are required to comply with all PRC national and  
20 local environmental protection laws and regulations and our  
21 operations are subject to periodic inspection by national and  
22 local environmental protection authorities. PRC national and  
23 local environmental laws and regulations impose fees for the  
24 discharge of waste materials above prescribed levels, require the  
25 payment of fines for serious violations and provide that the  
26 relevant authorities may at their own discretion close or  
27 suspend the operation of any facility that fails to comply with

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<sup>26</sup> See *Meyer v. Jinkosolar Holdings Co.*, 761 F.3d 245, 251 (2d Cir. 2014).

1 orders requiring it to cease or remedy operations causing  
2 environmental damage. As of December 31, 2009, no such  
3 penalties had been imposed on us.<sup>27</sup>

4 Such detailed descriptions stand in sharp contrast to Cigna’s simple  
5 and generic assertions about having “policies and procedures” and  
6 allocating “significant resources.”

7 Moreover, each of Cigna’s statements was framed by  
8 acknowledgements of the complexity and numerosity of applicable  
9 regulations.<sup>28</sup> Such framing suggests caution (rather than confidence)  
10 regarding the extent of Cigna’s compliance. Similarly, Cigna’s  
11 assertion that it “expect[s] to continue to allocate *significant*  
12 resources”<sup>29</sup> to regulatory compliance suggests a company actively  
13 working to improve its compliance efforts, rather than one expressing  
14 confidence in their complete (or even substantial) effectiveness. If  
15 anything, these statements seem to reflect Cigna’s uncertainty as to the  
16 very possibility of maintaining adequate compliance mechanism in  
17 light of complex and shifting government regulations.<sup>30</sup>

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<sup>27</sup> *Id.* at 247-48 (emphasis and brackets omitted).

<sup>28</sup> J.A. 196-97, 214.

<sup>29</sup> *Id.* at 200, 218 (emphasis added).

<sup>30</sup> *See id.* at 197. Variations between the 2013 and 2014 10-K forms, particularly the omission in 2014 of Cigna’s previous statement that it had “established policies and procedures,” do not change our analysis. First, this statement, like the rest of the of the statements at issue, was couched in tentative terms. Moreover, the totality of the “Regulation” sections in the 2013 and 2014 forms suggests that the variations in language between 2013 and 2014 are likely the

1 **III. CONCLUSION**

2 Because the challenged statements are tentative and generic,  
3 and because they emphasize the complex, evolving regulatory  
4 environment that Cigna faced, we conclude that Plaintiffs have failed  
5 to plausibly allege that a reasonable investor would view these  
6 statements “as having significantly altered the total mix of information  
7 made available.”<sup>31</sup> These statements are not, therefore, materially  
8 misleading.<sup>32</sup>

9 The October 2, 2017 judgment of the District Court is therefore  
10 **AFFIRMED.**

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result of increased concern over the unsettled regulatory environment, including legal challenges to the formidably complex Affordable Care Act, *see generally King v. Burwell*, 135 S. Ct. 2480, 2492 (2015), and changes and delays in its implementation.

<sup>31</sup> *ECA*, 553 F.3d at 197 (internal quotation marks omitted).

<sup>32</sup> We also briefly address Plaintiffs’ argument that “notwithstanding the automatic stay of discovery under the PSLRA,” the District Court “had the misimpression that Plaintiffs had been receiving the benefit of formal discovery.” Reply Br. Appellant at 26. A review of the record indicates that Plaintiffs are correct on this point. In its September 28, 2017 opinion, the District Court repeatedly asserts that Plaintiffs conducted extensive discovery. *Singh v. Cigna Corp.*, 277 F. Supp. 3d 291, 325 (D. Conn. 2017). However, the District Court’s misimpression on this issue had no bearing on its decision to dismiss (nor do Plaintiffs so suggest). And while this misimpression might have some bearing on the District Court’s decision to deny Plaintiffs leave to amend, *see id.* at 326, Plaintiffs failed to challenge that decision on appeal. As “[i]ssues not sufficiently argued in the briefs are considered waived and normally will not be addressed on appeal,” *Norton v. Sam’s Club*, 145 F.3d 114, 117 (2d Cir. 1998), we decline to review the District Court’s denial of further leave to amend the complaint.