

CIGNA CORPORATION

**THIRD QUARTER 2007 INVESTOR TELECONFERENCE
PHILADELPHIA, PA
FRIDAY, NOVEMBER 2, 2007**

**H. EDWARD HANWAY – CHAIRMAN AND
CHIEF EXECUTIVE OFFICER**

**MICHAEL W. BELL – EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER**

DAVID M. CORDANI – PRESIDENT, CIGNA HEALTHCARE

JONATHAN N. RUBIN, FINANCIAL OFFICER, CIGNA HEALTHCARE

**EDWIN J. DETRICK – VICE PRESIDENT,
INVESTOR RELATIONS**

NOTE: CIGNA has made editorial changes to this transcript.

As used herein, “CIGNA” refers to CIGNA Corporation and/or its consolidated subsidiaries.

**CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS
OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

CIGNA and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in CIGNA’s filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends, and other uncertainties. These forward-looking statements are based on management’s beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, CIGNA’s productivity initiatives, litigation and other legal matters, operational improvement in the health care operations, and the outlook for CIGNA’s full year 2007 and 2008 results. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe”, “expect”, “plan”, “intend”, “anticipate”, “estimate”, “predict”, “potential”, “may”, “should”, or similar expressions.

You should not place undue reliance on these forward-looking statements. CIGNA cautions that actual results could differ materially from those that management expects, depending on the outcome of certain factors. Some factors that could cause actual results to differ materially from the forward-looking statements include:

1. increased medical costs that are higher than anticipated in establishing premium rates in CIGNA’s health care operations, including increased use and costs of medical services;
2. increased medical, administrative, technology or other costs resulting from new legislative and regulatory requirements imposed on CIGNA’s employee benefits;
3. challenges and risks associated with implementing operational improvement initiatives and strategic actions in the health care operations, including those related to: (i) offering products that meet emerging market needs, (ii) strengthening underwriting and pricing effectiveness, (iii) strengthening medical cost and medical membership results, (iv) delivering quality member and provider service using effective technology solutions, and (v) lowering administrative costs;
4. risks associated with pending and potential state and federal class action lawsuits, purported securities class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging CIGNA’s businesses and the outcome of pending government proceedings and federal tax audits;
5. heightened competition, particularly price competition, which could reduce product margins and constrain growth in CIGNA’s businesses, primarily the health care business;
6. significant changes in interest rates;
7. downgrades in the financial strength ratings of CIGNA’s insurance subsidiaries, which could, among other things, adversely affect new sales and retention of current business;
8. limitations on the ability of CIGNA’s insurance subsidiaries to dividend capital to the parent company as a result of downgrades in the subsidiaries’ financial strength ratings, changes in statutory reserve or capital requirements or other financial constraints;
9. inability of the program adopted by CIGNA to substantially reduce equity market risks for reinsurance contracts that guarantee minimum death benefits under certain variable annuities (including possible market difficulties in entering into appropriate futures contracts and in matching such contracts to the underlying equity risk);
10. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating CIGNA’s liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
11. adjustments to the assumptions (including annuity election rates and reinsurance recoverables) used in estimating CIGNA’s assets and liabilities for reinsurance contracts that guarantee minimum income benefits under certain variable annuities;
12. significant stock market declines, which could, among other things, result in increased pension expenses of CIGNA’s pension plans in future periods and the recognition of additional pension obligations;
13. unfavorable claims experience related to workers’ compensation and personal accident exposures of the run-off reinsurance business, including losses attributable to the inability to recover claims from retrocessionaires;
14. significant deterioration in economic conditions, which could have an adverse effect on CIGNA’s operations and investments;

15. changes in public policy and in the political environment, which could affect state and federal law, including legislative and regulatory proposals related to health care issues, which could increase cost and affect the market for CIGNA's health care products and services; and amendments to income tax laws, which could affect the taxation of employer provided benefits, and pension legislation, which could increase pension cost;
16. potential public health epidemics and bio-terrorist activity, which could, among other things, cause CIGNA's covered medical and disability expenses, pharmacy costs and mortality experience to rise significantly, and cause operational disruption, depending on the severity of the event and number of individuals affected;
17. risks associated with security or interruption of information systems, which could, among other things, cause operational disruption; and
18. challenges and risks associated with the successful management of CIGNA's outsourcing projects or key vendors, including the agreement with IBM for provision of technology infrastructure and related services.

This list of important factors is not intended to be exhaustive. Other sections of our most recent Annual Report on Form 10-K, including the "Risk Factors" section, the Cautionary Statement in Management's Discussion and Analysis of Financial Condition and Results of Operations, our Form 10-Q for the quarters ended March 31, 2007 and June 30, 2007, and other documents filed with the Securities and Exchange Commission include both expanded discussion of these factors and additional risk factors and uncertainties that could preclude CIGNA from realizing the forward-looking statements. CIGNA does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Ted Detrick, CIGNA – VP Investor Relations:

Good morning everyone and thank you for joining today's call. I am Ted Detrick, Vice President of Investor Relations. And with me this morning are Ed Hanway, CIGNA's Chairman and CEO; Mike Bell, CIGNA's Chief Financial Officer; David Cordani, President of CIGNA HealthCare; and Jon Rubin, CIGNA HealthCare's Financial Officer.

In our remarks today, Ed will begin by discussing highlights of CIGNA's third quarter and year-to-date results. He will also make some comments regarding our growth prospects for 2008. Mike will then review the financial details of the quarter and provide the financial outlook for the full year 2007 and for 2008. David will discuss our medical membership results and outlook. He will also make comments regarding our consumer engagement capabilities, which is improving the health and well being of our members. Ed will then conclude our remarks by briefly commenting on our HealthCare – on HealthCare reform as well as the opportunities on which we are focused to deliver profitable growth for our HealthCare business. We will then open the lines for your questions.

Now as noted in our earnings release, CIGNA uses certain financial measures which are not determined in accordance with generally accepted accounting principles or GAAP, when describing its financial results. Specifically, we use the term labeled adjusted income from operations, which is income from continuing operations, before realized investment results and special items, with special items being unusual charges or gains, as the principal measure of performance for CIGNA and our operating segments. A reconciliation of adjusted income from operations to income from continuing operations, which is the most directly comparable GAAP measure is contained in today's earnings release, which was filed this morning on Form 8-K with the Securities and Exchange Commission, and is also posted in the investor relations section of cigna.com.

Now in our remarks today, we will be making some forward-looking comments. We would remind you that there are risk factors that could cause actual results to differ materially from our current expectations. Those risk factors are discussed in today's earnings release.

Now before turning the call over to Ed, I will cover a few items pertaining to our third quarter results and disclosures. In CIGNA's earnings release, we have included a \$23 million after tax benefit related to the completion of an IRS examination. This benefit is reported as a special item, and therefore is excluded from adjusted income from operations in today's discussion of both our third quarter results, and our full year 2007 outlook. In addition, CIGNA's third quarter results include after tax income from discontinued operations of \$2 million related to the completion of that IRS examination.

Now regarding our disclosures, I would note that in 2006, the Financial Accounting Standards Board issued statement number 157 entitled Fair Value Measurements, which clarifies the measurement of and expands disclosures regarding the fair valuing of certain assets and liabilities. Companies are required to implement statement number 157 effective with the first quarter of 2008. And based on our current evaluation, we believe that statement 157 changes the assumptions we use to fair value the assets and liabilities of our guaranteed minimum income benefits business within our runoff reinsurance segment.

The initial implementation of statement 157 is expected to have an adverse impact on CIGNA's results, and this impact may be material to consolidated results of operations, but we do not expect it to materially impact CIGNA's financial condition. Also because changes in the fair value of these assets and liabilities will be recorded in net income, CIGNA's future results for the runoff reinsurance segment may become more volatile subsequent to the adoption of this statement.

Lastly, I would also note that in the earnings outlook for 2008, which Mike Bell will discuss in a few minutes, excludes any potential volatility related to the adoption of this statement.

And with that, I'll turn it over to Ed.

Ed Hanway, CIGNA – Chief Executive Officer:

Thanks, Ted. Good morning everyone. I'm going to start today's call with a few brief comments on our third quarter results, and I will then discuss the highlights of our 2008 outlook. Mike will provide more details on the third quarter results, and our 2007 and 2008 outlook.

After that, David will comment on our medical membership results, and review the 2007 and 2008 membership outlook. He will also discuss how the strength of our consumer engagement capabilities, which are improving the health and well being of our members, have helped us achieve very good membership growth in 2007, and why we believe we are well positioned to successfully achieve our 2008 growth goals.

In my closing remarks, I will comment on the HealthCare reform debate, and also briefly identify the opportunities we are pursuing to profitably grow our business for the long term.

Overall, our consolidated third quarter results were strong and above our expectations. The results reflect growth in HealthCare earnings, and strong contributions from our other health and related benefits businesses. Third quarter adjusted income from operations was \$323 million, or \$1.14 per share, and represented 37% earnings per share growth relative to the third quarter of 2006. Year-to-date adjusted income from operations was \$866 million, or \$2.98 per share, and represented 30% earnings per share growth relative to 2006.

On a year-to-date basis, HealthCare earnings, excluding prior year development, have increased by 11%, or \$50 million compared to the same period last year. The HealthCare results reflect aggregate medical membership growth, disciplined execution of our guaranteed cost renewal pricing action, and strong contribution from our specialty businesses. Year-to-date, HealthCare membership, excluding members gained from the Sagamore acquisition, has grown approximately 5.1%. Our year-to-date 2007 HealthCare results demonstrate disciplined pricing, which we plan to maintain in 2008.

Our Group Disability and Life and International businesses continue to deliver strong results. Year-to-date, our Group Disability and Life business reported earnings of \$191 million, with premiums and fees growing year-over-year at an attractive rate of 13%. Our after-tax margin in this business continues to be very strong. Our International business has reported year-to-date earnings of \$129 million, on 17% growth in premiums and fees. Both our Group and International operations have strong market positions with good growth opportunities.

We also continue to be active with share repurchase. To date in 2007, we have repurchased approximately 24 million shares for \$1.16 billion. So to reiterate, our third quarter consolidated results were strong, and we have increased our full year 2007 consolidated earnings outlook.

Now regarding our 2008 outlook, we expect full year membership to grow organically by 3% to 5%. We expect approximately 2% to 3% growth will be achieved in the first quarter. As Mike will discuss in detail, we expect HealthCare earnings excluding prior year development to grow in the low double digits in 2008, similar to the earnings growth we are achieving year-to-date in 2007. This earnings growth, coupled with a second consecutive year of meaningful membership growth validates that our capabilities related to the consumer engagement area are resonating well in the marketplace. We expect continued good earnings and revenue growth in our Group and International businesses in 2008.

Overall, we are pleased with our prospects for membership and earnings growth across our ongoing businesses in 2008. And Mike will now cover the specifics of the third quarter, as well as our outlook for 2007 and 2008. Mike.

Mike Bell, CIGNA – Chief Financial Officer:

Thanks, Ed, good morning everyone. In my remarks today, I'll review CIGNA's third quarter results; I'll also discuss our outlook for full year 2007 and for 2008. In my review of consolidated and segment results, I'll comment on adjusted income from operations, and this is income from continuing operations excluding realized investment results and special items. This is also the basis on which I'll provide our earnings outlook. Our third quarter earnings were \$323 million, or \$1.14 a share, compared to \$268 million, \$0.83 cents a share in 2006.

And I'll review each of the segment results beginning with HealthCare. Third quarter HealthCare earnings were \$173 million. This result included after tax favorable prior year claim development of \$5 million. Excluding prior year development, year-to-date HealthCare earnings are \$50 million higher than the same period in 2006.

Aggregate membership growth and lower per member operating expenses contributed to our earnings growth, as did execution of our guaranteed cost pricing actions over the last 12 months. The year-to-date results also include earnings growth from our specialty businesses. Now these factors were partly offset by lower mail order pharmacy volume, and a \$6 million after tax charge related to the CMS disease management pilot.

HealthCare membership through nine months was 5.1% higher than at year end 2006, excluding the 357,000 members related to the Sagamore acquisition. In the third quarter, experienced rated membership grew sequentially, while guaranteed cost membership declined. The latter reflected our focus on maintaining pricing discipline in an environment which continued to be quite competitive.

We currently expect full year membership growth to be 5% to 5.5%, excluding Sagamore. Now the upper end of this range is modestly lower than our previous expectation, reflecting the guaranteed cost competitive environment.

Our year-to-date guaranteed cost MCR was 84.3%, excluding favorable prior year development and excluding the results from our voluntary business. This result is 210 basis points better than the comparable 2006 MCR reflecting strong execution of our renewal pricing actions. The guaranteed cost MCR improved in the third quarter relative to the first half of the year, and we expect to achieve a full year guaranteed cost MCR, excluding prior year claim development and voluntary, of 84% to 84.25%.

HealthCare premiums and fees through nine months were up 11% versus 2006 reflecting medical membership growth, rate increases and growth in Medicare Part D. Relative to operating expenses, our results for nine months continue to reflect productivity improvements, partially offset by investments that we're making in our growth initiatives.

Overall, excluding prior year claim development, our year-to-date HealthCare earnings are \$50 million, or 11% higher than in 2006. Now I'll discuss the results at our other segments.

Third quarter 2007 earnings in the Disability and Life segment were \$63 million. This result reflected favorable mortality in group life and accident, effective operating expense management, and competitively attractive margins in disability. The segment's third quarter earnings included a \$3 million favorable after-tax impact of reserve studies.

In our International segment, third quarter 2007 earnings of \$47 million reflected competitively strong margins and continued growth in our life accident and health and expatriate benefits businesses. Group and International continue to be important contributors to our consolidated results.

Earnings in our remaining operations, including runoff reinsurance, other operations and corporate were \$40 million for the quarter. Runoff reinsurance earned \$39 million, and this result reflected favorable items which we do not expect to recur, including settlement activity and favorable claim experience on runoff personal accident business.

Now before discussing our earnings outlook for the full year, I'll comment briefly on our current capital position and our 2007 outlook. Our parent company capital position continues to be strong, and our subsidiaries remain well capitalized. At the end of the third quarter, cash and short-term investments with the parent were approximately \$450 million. We continued our share repurchase program in third quarter, repurchasing 4.6 million shares of our stock for approximately \$235 million. To date in 2007, we have repurchased approximately 24 million shares, or \$1.16 billion.

With respect to the outlook, we continue to expect full year 2007 subsidiary dividends to be approximately \$1 billion. Our parent has received approximately \$750 million of subsidiary dividends through September. We expect other sources and uses of parent company cash for the fourth quarter to sum to a net source of approximately \$100 million, and this estimate excludes any further share repurchase and any additional M&A activity. We continue to have a long-term target for parent cash of approximately \$250 million.

Our capital management priorities remain consistent with our prior communications. Our first priority is to maintain appropriate liquidity at the parent, and to insure that our subsidiaries remain adequately capitalized to support growth and to maintain their credit ratings.

Our second priority for excess capital is to consider acquisition opportunities. We routinely review a range of acquisition opportunities that would enhance our strategic position, and meet our return on investment goals. We do not know when or if we would find additional opportunities that would meet our criteria, and absent these items, our priority would be to buy back our stock. In summary, we continue to have a strong capital position and good financial flexibility.

I'll now review our earnings outlook. For full year 2007, we currently expect consolidated adjusted income from operations of \$1.1 billion to \$1.16 billion. This range is higher than the estimates we provided in August, primarily reflecting the strength of our third quarter results. I'll discuss the components starting with HealthCare.

Our estimate for full year 2007 HealthCare earnings is a range of \$670 to \$710 million. The upper end of this range is modestly lower than the estimate we provided in August, and this reflects the facts that I noted in discussing our third quarter results. Specifically the lower mail order pharmacy volume, the charge related to the CMS disease management pilot, and lower guaranteed cost membership are expected to be partly offset by a higher outlook for specialty earnings, including stop loss.

Now with respect to other key factors in the HealthCare outlook, we expect medical cost trend for our total book of business to be in a range of 6.5% to 7.5% for the full year. This is unchanged from the estimates we provided in August. We expect guaranteed cost pricing yields to exceed trend, and we expect the guaranteed cost MCR, excluding prior year claim development and the voluntary business, to be in the range of 84% to 84.25% for the full year 2007. All in, we currently project full year 2007 HealthCare earnings to be in a range of \$670 to \$710 million.

Now turning to the balance of our segments. We expect our remaining operations to contribute approximately \$430 million to \$450 million of earnings for the full year of 2007. This is higher than the outlook we provided in August, reflecting the strong third quarter results. For the full year, we continue to expect high single digit earnings growth in Group. Our full year earnings growth expectation in International is now approximately 20%, which is higher than our previous estimates.

So putting together all of the pieces, we estimate that our full year 2007 consolidated adjusted income from operations will be in a range of \$1.1 billion to \$1.16 billion. As I've discussed before, we do not predict the amount or pace of repurchase, and our estimates for earnings and EPS do not reflect the impact of any further repurchase activity. On this basis, our estimate of full year EPS for 2007 is a range of \$3.80 to \$4.00 a share.

Turning now to the full year 2008 outlook. We currently expect consolidated adjusted income from operations in a range of \$1.155 billion to \$1.215 billion. I'll discuss the components starting with HealthCare.

As Ed noted, we currently expect that our medical membership will increase by 2% to 3% in the first quarter, and 3% to 5% for the full year 2008. We expect over 90% of the first quarter membership growth to be in ASO. We currently expect medical cost trend for our total book of business to be in the range of 6.5% to 7.5% in 2008. We expect guaranteed cost pricing yields to modestly exceed trend, and we estimate that the full year guaranteed cost MCR, excluding prior year claim development and our voluntary business, will be approximately 83%.

Our estimate for full year 2008 HealthCare earnings is a range of \$740 million to \$780 million. And this range is \$80 million or 12% higher than our projected earnings range for 2007, excluding prior year development.

Our expected earnings growth in 2008 reflects several key factors. First we expect that revenue growth including the impact of increased membership and higher penetration of our specialty products will deliver approximately \$50 million to \$70 million of additional after tax earnings. Second, we expect guaranteed cost pricing actions in excess of medical trend to improve the MCR by 100 to 125 basis points, and we expect this improvement to contribute approximately \$25 million to \$35 million of after tax earnings growth.

Third, we expect to invest approximately \$10 million net on an after tax basis in our segment expansion initiatives in the small group, individual and seniors markets. And while dilutive in 2008, we expect these initiatives to be accretive to earnings starting in 2009. And finally, we expect 2008 experience-rated margins to be approximately in line with full year 2007. So in total, we expect 2008 HealthCare earnings to be in a range of \$740 million to \$780 million.

Now turning to the balance of our segments. We expect our remaining operations to contribute approximately \$415 million to \$435 million of earnings in 2008. We expect our Group Disability and Life and International businesses to continue to grow revenue while maintaining strong margins. Specifically we expect low to mid-single digit earnings growth in Group, and low double-digit earnings growth in International.

Earnings for the balance of our operations, which include run-off businesses and the parent, are expected to be lower year-over-year, mainly due to the absence of the 2007 non-recurring favorability in runoff reinsurance. Now I would reinforce Ted's comments that our 2008 outlook does not include potential additional volatility resulting from the implementation of the new fair value accounting standard as it relates to runoff reinsurance.

So putting together all the pieces, we estimate that our full year 2008 consolidated adjusted income from operations will be in a range of \$1.155 billion to \$1.215 billion. As I mentioned before, we do not predict the amount or pace of repurchase, and our estimates for earnings and EPS do not reflect the impact of any further repurchase activity.

On this basis, our estimate of full year EPS for 2008 is a range of \$4.00 to \$4.20 a share.

Now in thinking about our expected EPS growth, it's useful to consider the impact of the favorability in the runoff reinsurance business, which is included in our 2007 outlook, and which we do not expect to recur in 2008.

In addition, our 2008 EPS estimates represent a compound annual growth rate of approximately 14% relative to 2006.

Relative to capital management, we expect to maintain strong dividend paying ability in our subsidiaries in 2008. As we've previously stated, we expect to have extracted most of the excess liquidity from our

subsidiaries by the end of 2007, and in 2008 we would expect subsidiary dividends to be at a more normal level of approximately 75% of consolidated earnings. We'll provide more specifics relative to our 2008 capital management expectations in February.

For the recap, assuming no further repurchase, our current outlook is for full year 2007 EPS to be in a range of \$3.80 to \$4.00, and our EPS estimate for 2008 is a range of \$4.00 to \$4.20. Our outlook for 2008 reflects attractive earnings growth in HealthCare, and continued strong performance in our Group and International businesses.

And with that, I will turn it over to David.

David Cordani – CIGNA HealthCare President:

Thanks, Mike. Good morning everyone. As you've already heard this morning, we continue to expect CIGNA HealthCare to achieve strong earnings growth for 2007. In addition, we anticipate continued membership and earnings growth in 2008, while also making investments in important growth areas. Later this month at our investor day, we will discuss our long-term growth strategy in some detail. Today my remarks will be focused in three areas, first membership growth for 2007 and 2008, second what's driving our success, and third our strategy, which focuses on health advocacy and consumer engagement.

Our medical membership grew in the third quarter by approximately 67,000 members. Year-to-date, that's 5.1% growth, excluding the acquisition of Sagamore. We saw growth in both the regional and national segments in the third quarter.

Our expected membership growth for full year 2007 is currently at 5% to 5.5%, which reflects national segment growth of over 3%, and regional segment growth of over 6%.

Turning to 2008, during the first quarter we expect total membership growth of 2% to 3%. For full year 2008 we expect a 3% to 5% increase in membership. In the national segment, we're able to win because of the strength of our value proposition, which includes our ability to consult with and provide appropriate cost effective solutions for employers, and engage our members to improve their health and well being.

Turning to the regional segment, we expect membership growth in a range of 2% to 3% for the first quarter of 2008. We are winning in this segment primarily based on cost and access, the value of our consultative employer sales and client management capabilities, and our health advocacy programs.

Combining both segments, we expect most of our first quarter's growth to be in ASO funding arrangements. Relative to pricing, the market continues to be very competitive, particularly for guaranteed cost programs. Additionally across all funding arrangements, the buying decisions are occurring later this year versus prior years.

Now let's move to another key factor in our business, medical cost trend. Year-to-date 2007 net medical cost trend for our book is in line with expectations. For full year 2007, our trend will be in the 6.5% to 7.5% range. We expect the overall 2008 trend to be in a range of 6.5% to 7.5%, consistent with our 2007 outlook.

Now I'll turn to my final topic for today, our strategy, which focuses on health advocacy and consumer engagement. This is a topic I'm particularly passionate about. It encompasses what's beginning to work today and the trend for the future of our industry. It's why we talk about moving from the traditional insurance view, which pays for sick care to becoming the leading health services company where we engage members to improve their health.

While some have questioned the value of consumer directed plans, our experience is that appropriately designed consumer directed programs with health advocacy and consumer engagement programs do generate a real and positive impact. We believe our approach is different, and our results are

demonstrable. In fact, our combined programs have delivered a meaningful reduction in medical cost trend over two years. Last month we announced the results of our two-year study of actual health claims experience of more than 430,000 CIGNA consumer directed and traditional HMO and PPO members.

The medical cost trend for the first year consumer direct members was more than 12% lower than traditional plans. The comparable second year trend was 5% lower than traditional plans. More importantly, the use of preventive care increased, and medication compliance improved. Prevention and compliance went up, yet costs decreased. This is clear evidence that smart consumption of HealthCare can reduce costs while improving health. The key is effective plan designs that result in total cost reduction without reducing care or shifting costs to members.

To support these plan designs, there's a growing interest and need for products and services that engage, educate and enable individuals to improve their health and well being. The national segment employers have been early adopters, having said that, interest is now increasing across all segments. Today we are committed to investing in products, services and technology capabilities to support this growing need.

The effectiveness of our approach to consumer engagement is a reflection of the depth and quality of our clinical programs, where we have received national recognition. In September, the National Committee for Quality Assurance for the sixth consecutive year shows CIGNA HealthCare's scores to be higher than both the quality compass national average and our main competitors' averages in the majority of preventive and chronic care measures used by NCQA in accrediting health plans. All of our 23 NCQA-accredited HMO's and point of service health plans have excellent accreditation status.

In addition, our health advocacy programs include targeted outreach to members who haven't received preventative care where established clinical guidelines exist. Examples include outreach to over 500,000 women for Pap tests or mammographies, outreach to nearly 300,000 families for important childhood and adolescent immunizations, and our colorectal cancer screening initiative that we've expanded to include over 320,000 members in 13 markets.

Finally not only do we use health risk assessments and biometric screening, but our exclusive use of the University of Michigan's trend management algorithms allows us to identify, engage and coach the healthy at risk segment of the population. This is significant – it means we can now begin to intervene before members get sick, and help them reduce key risks and ultimately avoid illness.

So these are some of the ways we are distinguishing ourselves through effective plan designs delivered by our consultative sales professionals, deep knowledge of employers and the individuals we serve, and health advocacy capabilities that truly improve health and well being. With these capabilities, we are seeking to expand our segments and thereby increase the number of people we serve.

In our last quarter we discussed the importance of our expansion into the senior and retiree segment. I want to provide a bit more detail on some of our expansion initiatives. As you know, the Baby Boomers represent a massive demographic, and it's a population that is very different than previous retirees. Their desires are different, thus their needs are different than previous generations. The communication and rules of engagement are different, and our value proposition lines up well to fulfill those needs.

We're launching a Medicare private fee for service plan for 2008 on a national basis for employer groups, and in 13 states for individuals. These programs will compliment our continued growth of our Medicare Part D program with national individual and employer coverage. Additionally, we will expand our offering of Medicare Advantage plans in Arizona to include both private fee for service and Medicare HMO plans for January 2008.

So to wrap up, we're pleased with our 2007 results. We maintained good pricing and underwriting focus, and strong medical cost management that has supported over 5% net organic membership growth. Our value proposition is strong, and the results delivered by our health advocacy and consumer engagement

capabilities, evidenced by increased prevention, increased clinical compliance and declining medical cost trends are very real.

Before I hand the session back over to Ed, let me just say that I look forward to talking with you in person at our investor day later this month, and with that, I'll turn the call back to Ed.

Ed Hanway:

Thanks, David. I want to underscore several points. First our consolidated results for the third quarter were strong, and reflect growth in HealthCare earnings as well as strong contribution from our Disability and Life and International businesses. Second, the earnings and membership growth we are achieving in our HealthCare business in 2007 validates the strength of our value proposition in the marketplace. Third, we will make significant investments in segment expansions in 2008, which will drive future profitable growth and enable us to achieve our mission to become the leading health and related benefits company.

Lastly, I believe we have strong market positions that we can leverage to achieve our membership and earnings growth goals for 2008.

I'll now make a few remarks on the HealthCare industry from a public policy perspective. As you know, the U.S. HealthCare environment has been challenging in recent years, and will likely remain so for some time. CIGNA is actively invested both in the debate around the future of our HealthCare system, as well as pursuit of new and enhanced capabilities required to succeed going forward.

At CIGNA, we believe that every American should have access to affordable, quality HealthCare. We also believe that a coordinated public and private partnership of all HealthCare stakeholders is critical to creating a value driven market which will expand coverage to the uninsured, and improve the health of all Americans.

It is important to note that current HealthCare reform proposals of both parties are based on maintaining the employer based health insurance system, which we view as positive. At CIGNA, we are preparing for the evolution of HealthCare in the U.S., and we believe this evolution will create opportunities to support long-term growth for our HealthCare business.

Our focus for HealthCare growth will continue to be the employer sponsored arena, where we will seek to grow membership through ongoing introduction of innovative products and services and effective consumer engagement. In addition, we are adding capabilities and resources to expand into segments where we see significant growth opportunities, some of which may be enabled by HealthCare reform, such as small group, individual, seniors, and voluntary segments. We expect to capitalize on opportunities to compliment our core medical products with specialty, disease management and Disability and Life products.

In summary, our prospects are attractive to organically grow our business on a sustained basis. So while we are focused on pursuing these growth opportunities, we will also consider supplementing our organic growth with acquisitions should we find opportunities that meet our criteria. Overall we expect our ongoing businesses to grow earnings in 2008 by approximately 10%, excluding prior year development, and that's consistent with our long-term strategic goals. We will provide details related to our expectations for 2008, and our long-term growth goals at our annual investor day in New York City on November 16th.

In closing, our consolidated results are strong, and we expect this momentum to continue into 2008 and beyond. I'm confident that CIGNA has strong market positions in each of our health and related benefits businesses, and that we will leverage these positions to continue to create value to the benefit of our customers and shareholders.

Now this concludes our prepared remarks, and we would be glad to take your questions.

Scott Fidel (DeutscheBank):

First question, on the 2008 guidance, could you help us think a bit about the glide path on reserve development expectations for next year? And then, Mike, you did touch a bit on share buyback, but how do you think the activity might trend out? Because those are two pieces that have come in higher than the guidance in the last couple of years.

Mike Bell:

Sure, Scott. In terms of the 2008 guidance, I walked through, in my prepared remarks, the main drivers of the Health Care earnings growth year-over-year. It's really a combination of revenue growth and further improvement in the guaranteed cost Medical Cost Ratio (MCR). In terms of your particular question on prior year development, I would point out that 2007 prior year development has been relatively immaterial for all the reasons that we have previously discussed.

We haven't been surprised that it is less than it was in prior years, because the drivers of the higher prior year development no longer apply to this year. Medical cost trends have stabilized, as opposed to declining. Our membership has stabilized. Shrinking membership tends to drive higher favorable prior year development. Also our operational improvements have also stabilized.

For all of these reasons, we are not surprised that prior year development is lower in 2007. There is nothing explicit in our 2008 expectations for prior year development, but if I had to speculate, I would suspect that prior year development will probably be immaterial again in 2008.

In terms of your question on share repurchase, as a matter of policy, we do not comment on future share repurchase activity.

Scott Fidel:

As a follow-up, can you talk about the sources and uses of cash expectations for 2008 – any particular items that you would spike out there? And a bit more topical, this morning United Health announced that they're going to acquire Fiserv's health business. Your thoughts around how that deal might impact the ASO environment and how much you compete with Fiserv Health at this point?

Mike Bell:

Sure, Scott. I will answer the parent company cash question. First, in terms of 2008, I prefer to wait until our Investor Day and our year-end analyst call to be really specific in terms of 2008 parent company cash. At this point, I would suggest our 2008 expectations for subsidiary dividends are in-line with our longer term expectation that approximately 75% of our consolidated earnings should translate into subsidiary dividends from the operating companies to the parent, which means that the remaining 25% of the earnings would remain in the operating subsidiaries to support growth. In 2008, we expect to be fairly close to that.

There are some other moving parts. We expect to extract some additional capital from the operating subsidiaries, but again, I will give you some more detail on a future call.

David Cordani:

On the Fiserv question, I am not going to speculate on why United Health purchased Fiserv, but we do not generally see them in the mainstream business model today. We see continued demand for lower cost or more efficient ASO-type offerings and leaner ASO-type offerings. So we see some activities from certain competitors buying small TPA's and trying to leverage those capabilities.

As Ed and I previously indicated, we expect to see further pressure on the second tier players as they compete to ensure their value propositions are competitive; and I think you see some of that playing out here.

Ed Hanway:

We do not see any material impact to our business. As David suggested, I think other people have recognized some of the areas we have taken advantage of, and that is likely the motivation. But we feel very well positioned to continue to meet the needs of that particular segment of the market.

Scott Fidel:

On the fee competition on the ASO side, has that been coming more from the majors, or have the second tier players been competitive on fees essentially to try to retain some of their membership?

David Cordani:

I would say the competition in the pricing environment is pretty meaningful right now. The competition on the core health is pretty meaningful, which is why we are so passionate about having a very diversified specialty portfolio. Because if you are solely competing on an ASO core health service proposition, that is a very difficult standalone service proposition to compete against. And we believe you will continue to see pressure there. So for us, consistent with our strategy, we expect to continue to expand our specialty capabilities as an integral part of our business model.

Scott Fidel:

OK, thank you.

Matthew Borsch (Goldman Sachs):

Good morning. On the decline in commercial risk enrollment, can you just comment on what was driving that?

Mike Bell:

Generally, the competitive pricing environment is driving it, coupled with the fact that we are committed to maintaining our pricing discipline. Obviously, our aggregate membership increased sequentially, we expect our aggregate membership to continue to increase in 2008.

Matthew Borsch:

So you would not characterize it as a couple of large accounts, or was it more of an erosion across the board in markets where you are maintaining pricing discipline?

Mike Bell:

It was the latter, Matt, as opposed to any particular sizable accounts.

Matthew Borsch:

Coming back to the topic of Fiserv, I am going to comment on a competitor. In a couple of respects, the question comes up with these acquisitions, "Well, why did they do it and why did CIGNA not do it?" That's my first question. The second is on capital deployment, one of your competitors has talked about going to a substantially higher debt to capital level to fund a greater level of share repurchase activity. Where are you in terms of contemplating a similar move now or in the future? And could you remind us where your target debt to cap is relative to where you are now? Thanks.

Mike Bell:

Sure, Matt. Let me answer your second question first. In terms of debt leverage, which we measure as debt to total capital, at the end of third quarter, we were at 28%. There has been no change to our targeted range of 20% to 30% during normal times. In fact, absent significant acquisitions, we expect to be reasonably close to a 25% level. In the event of an acquisition, we could conceivably go higher than the 30% on an interim basis, but we are quite serious about our long-term plan to be close to the midpoint of that 20% to 30% range.

Matthew Borsch:

And why is that?

Mike Bell:

The main reason is to protect our ratings. It is very important to us that we continue to have operating subsidiary ratings, particularly CG Life in that strong A level. And we believe that is important, because it is important to our national account customers. Based on our discussions with the rating agencies, we believe the combination of the strong results and strong capital in our operating subsidiaries, coupled with that kind of parent company leverage and parent company cash (with a long-term liquidity target of \$250 million), puts us where we need to be in terms of our ratings.

Matthew Borsch:

Got it.

Ed Hanway:

In terms of M&A, as Mike said, we constantly review a broad range of opportunities. The criteria we use to evaluate their attractiveness to us has not changed. We have been very consistent in stating that we will consider acquisitions that are strategic and add real value for us, Sagamore is a good example of that. We have said that the acquisition has to be economically attractive to our shareholders. And we also want to be able to integrate those acquisitions without distracting us from the good organic growth that we have been generating in our ongoing operations. As a practical manner, when an acquisition meets those criteria, we are much more interested than not.

Matthew Borsch:

OK, thank you.

John Rex (Bear Stearns):

First, a question on your fourth quarter guidance for HealthCare, it's a rather wide earnings range of \$40 million on a \$180 million business. That implies you have really limited visibility on your fourth quarter, and I'm curious as to what's driving your hesitancy on your guidance for that segment for the fourth quarter 2007.

Mike Bell:

I would ask you not to read too much into that particular range. It is fair to say that it is probably wider than what we have estimated in the past, but that was not intended to signal something in particular. I would say that we are in the process of evaluating a number of issues related to operating expenses, in particular preparing for the growth that we expect in 2008. So there is a little more volatility in that area than normal. But I would ask you not to overreact to that.

John Rex:

So we really shouldn't think about a \$40 million range then?

Mike Bell:

I will stick with the range that we have put out there. My point is that the range was not a conscious attempt to signal a significant amount of uncertainty.

John Rex:

On the experience-rated business, I think in your comments you said that you did not expect it to improve. Clearly 2007 performance has been well below 2006, because that was kind of a record year for experience-rated. But we're still kind of lagging the results that you used to get out of the experienced-rated business, and should we think about earnings contribution for this segment as a bit less than what you used to get over the last number of years?

Mike Bell:

John, just to be clear, the 2007 margins and 2008 expected margins in this business are in-line with what we have earned over a long period of time. It is fair to say that the 2005 and 2006 earnings in this block of business were particularly strong, which essentially represented a recovery from the challenged results we had in those areas in 2003 and 2004.

We feel really good about the earnings that we are generating in experience-rated. We feel good about the fact that we are on a path for top line growth in 2008, which is a combination of the expected continued membership growth, as well as premium growth on the existing accounts. Our expectation is to have top line growth in the high single digits next year for experience-rated. When that top line growth is coupled with all-in margins consistent with what we expect to generate for full year 2007, that equates to good earnings growth in this book of business. So we feel good about the results.

John Rex:

It always looked to me like 2006 margins were considerably higher than in 2007 on experience-rated. Was that a mistake?

Mike Bell:

You are absolutely right, the 2006 margins, and earnings for that matter, were stronger in experience-rated than what we expect to achieve in 2007. The point is that we expect the all-in 2007 and 2008 margins to be approximately equivalent between the two periods, which means good earnings growth as we expect top-line growth in that business.

John Rex:

One last thing on the implied share count in your guidance. It would look like you're using your full year 2007 weighted average shares, which would be up from where you were at the end of third quarter. Is that conservatism in the guidance, or is there some reason we should actually expect the share count should trend up from where you were at the end of third quarter 2007?

Mike Bell:

John, there is no future repurchase activity in our implied share count guidance. In addition, depending on what happens to our stock price, we do have some expansion in common stock equivalents modeled over the period. Obviously, you are free to use your own estimates in that area.

John Rex:

Great, thank you.

Charles Boorady (Citi):

Thanks, good morning. First, a housekeeping question on how you calculate your adjusted EPS. In the second quarter, you excluded a \$0.19 charge for reinsurance, and in this quarter you are including a favorable reserve development in that same segment. Is that inconsistent?

Mike Bell:

In terms of special items, we have been consistent in identifying items greater than \$20 million, either plus or minus, that we expect to be non-recurring as a special item. We do not think about these items as being part of the ongoing earnings of the business.

We have been very consistent with our treatment of special items. In this particular quarter, there were a number of non-recurring items in reinsurance that led to the positive result in the quarter, and it is a good economic result as well. However, none of these individual items exceeded \$20 million after-tax, which is why we did not classify them as special items. Again, you are free to do whatever you want in terms of your own models, obviously.

Charles Boorady:

OK. On International, if it continued at this growth rate, it would eclipse Life and Disability next year, and it would eclipse HealthCare in three and a half years. Now I know you're not expecting this growth rate to continue, but maybe you could talk a little bit more about the opportunities to grow in terms of how big you see it in the next three to five years. And are you able to invest enough capital to keep it growing, or are you constraining its growth by not allocating enough capital to that subsidiary?

And then also related to capital allocation for growth, you talked about pretty significant potential expansion in Medicare Advantage, and I know you're not giving us a target on enrollment, per se, but how much capital did you foresee needing to support the growth in MA next year? I assume you'll be growing in some new markets.

Ed Hanway:

Charles, let me start on International. We are very pleased with the growth we are seeing there, and I would remind you that this business is reasonably efficient in terms of capital. It tends to be high return, low capital business. We very much like not only the earnings growth, but the actual return on the capital we have invested. In terms of the outlook, we have talked about expecting double-digit growth next year. We feel that in the markets we are particularly focused on, including Asia, we are witnessing increased penetration and a growing middle class to whom our products really appeal.

We believe we have ample opportunity to continue to grow this business. We have a very tight focus on the business that we are writing. And as you also know, to maintain that focus, we have continued to pare back in markets where we see fewer growth opportunities. For example, in much of Latin America, we have really pulled back; because the growth opportunities are just nowhere near as significant as they are in Asia. We feel very, very good about results to date. More importantly, we continue to believe that we can achieve good growth in that block of business, and that growth will be very capital efficient.

Charles Boorady:

What's your market share roughly? Just so we get a sense for how much the untapped opportunity is.

Ed Hanway:

That is really hard to measure, Charles, for a couple of reasons. Remember, the lines of business that we are in are specialty-oriented, and I am not certain that I can give you a good sense for market share. What I can say to you is, in terms of penetrating the growing middle class in places like Korea, Taiwan, China, Indonesia, and Thailand; there is a lot of opportunities to continue to grow these businesses. In countries where there is not much of a social safety net, the population essentially looks at these products as income replacement. For example, if you look at hospital cash products, critical illness products, or personal accident products; as the middle class grows, they are looking for some security. These products provide a fairly low cost way to provide some security – so we expect continued good growth.

Charles Boorady:

Do you think you are setting your targets too low? Do you have internal targets that are higher than what you are telling us for that segment next year?

Ed Hanway:

You can assume that given the returns we have historically generated on this business, we continue to push pretty hard. I would also point to things like the acquisition in Thailand last year, which we expect to position us more effectively in a market where we believe there is going to be ongoing growth.

In China, for example, as recently as approximately 18 months ago, we were only licensed to do business in two regions. Today, we licensed in six with perhaps two more to come in the next year. We have pretty aggressive goals to continue to grow this business.

Charles Boorady:

That's great. And on capital for MA expansion, is that going to be a significant use of capital in 2008?

David Cordani:

Charles, I would say it is not a significant use of capital in 2008. The Medicare expansion in 2008 is a continuation of our build. We will grow PDP, but we will launch the private fee for service focused on accommodating the needs of our employer-sponsored groups. Looking beyond that, we hope that is a good problem to have with the growth we expect over the long term, which we will dimension a little bit at our Investor Day. But for 2008, do not look at it as a material consumption of capital.

Charles Boorady:

Great, thank you.

Greg Nersessian (Credit Suisse):

Just a quick question on the membership expectations for next year. Could you give us a sense for directionally how you expect the guaranteed cost to track next year? Also on the initial expectations on the MA enrollment, given your commentary on your activity there.

David Cordani:

Sure, Greg. Relative to growth, we expect to start the year, knock on wood with a good number, 2% to 3% growth, balanced very nicely between our national and our regional segments. We expect that the makeup, as we indicated in the opening remarks, is primarily ASO, so flat or slightly down on the guaranteed cost. And as Mike mentioned, we are seeing some good emerging traction on the experience-rated.

As we look to the full year, we expect, consistent with prior years, the regional segment will take over and carry the remainder of the growth pattern. So, the national segment will stay approximately in pattern to the first quarter 2008 number, and we expect to see better growth throughout the latter part of the year in the regional segment. As a result, we expect to see some guaranteed cost sales growth in the latter part of the year, as well as continuation of the experience-rated results.

Relative to the Med Advantage, it is really a building year for us. We expect modest overall contribution to the private fee for service membership, not a material driver of our overall membership. You can think about it in the 10,000 to 20,000 member range during the full year as we build the capabilities. It is possible to exceed that with some large wins outside of first quarter, but we are not banking on that at this time.

Greg Nersessian:

Great, very helpful. Could you just go through the components of trend? A couple of the other companies in the sector had mentioned that they had seen their inpatient trends tracking lower. I was wondering if you are seeing that also? And could you go through the rest of the components?

Jon Rubin, CIGNA HealthCare – Financial Officer:

Greg, relative to the components of the 6.5% to 7.5%, which is built into our expectation for 2008, first I will provide a high level component range at this point. Inpatient and outpatient, or facility overall, we expect to trend at high single digits, which is relatively consistent, or perhaps a little better, with what we have seen in 2007. We expect professional to be low to mid-single digits and pharmacy to be mid to high-single digits.

During our fourth quarter 2007 call, we should have better visibility on the book of business changes that impact net medical cost trend, so we expect to be prepared to provide more specificity on trend components at that time.

Greg Nersessian:

OK, great. The commercial HMO yields looked lower this quarter sequentially, and the growth rate was lower. Is that a function of mix shift, or the timing of enrollment that either came on or lapsed in the quarter? Could you touch on that as well?

Mike Bell:

Sure, Greg. It is a combination of all that you described, particularly the mix shift piece. And I would encourage you to think about our guaranteed cost block, the commercial HMO and the open access products in a single bucket. Because, what we have seen over the last several years is the market is increasingly more interested in open access products, as opposed to the traditional HMO. Therefore, I suggest that you look at those in aggregate.

Greg Nersessian:

OK, great, thank you.

Josh Raskin (Lehman Brothers):

I just wanted to make sure I heard you right, Mike, when you said that the aggregate Run-off Reinsurance development was less than \$20 million. Was that in aggregate it was less than \$20 million or there were no individual items over \$20 million?

Mike Bell:

The latter, Josh, there were no individual items greater than \$20 million. In aggregate, Run-off Reinsurance reported earnings of \$39 million for the quarter, which was a combination of a couple of different settlements and then some favorable run out in personal accident.

Josh Raskin:

Is there a good run rate for what you would think Run-off Reinsurance should be at?

Mike Bell:

At this point, we are modeling approximately break even for 2008. There is a fair amount of uncertainty in this business, and that coupled with the FAS 157 fair value accounting standard, could add volatility. But at this point, I would suggest to you that breakeven is a reasonable expectation.

Josh Raskin:

Got you. Secondly, the Medicare health support pilots, it sounds like you took the \$6 million charge. What's the status of that pilot? Is that not meeting the endpoint, so not recognizing the revenue, or is this a termination of the project?

Jon Rubin:

Josh, relative to the MHS pilot and the charge, the charge reflects the recent quarter's performance as currently evaluated by CMS, which is below our expectations, and inconsistent with previous quarters. This led to our revision of our forecast related to the performance guarantee liability for the three-year program. As a result, we have recorded the charge, as you note, of approximately \$6 million in the third quarter.

We have been notified by CMS that they are in the process of evaluating the performance methodology, as recommended by a consultant, RTI, in their July report to Congress. Given the uncertainty, we thought it appropriate to record a charge in the quarter, but I would note this charge is independent of any future decisions that we may make regarding continuation of the program.

Josh Raskin:

OK, so it still sounds like you guys are relatively on track, just had a blip in the third quarter, and took down some of the revenue.

David Cordani:

That's correct.

Josh Raskin:

OK, last question, on the PDP membership. Based on the bidding and the benchmarks that have come out, where do you think your PDP ends up next year?

Mike Bell:

Josh, I would suggest at this point that a range of 325,000 to 350,000 members is reasonable.

Josh Raskin:

OK, thank you.

Christine Arnold (Morgan Stanley):

Good morning. On your operating expenses, how much improvement in operating expenses have you built in recognizing you did say that you'd be making some investments in capabilities?

Mike Bell:

In terms of productivity, for 2008 we are currently modeling operating expenses, excluding the segment expansion (what we are investing in individual, small group, and seniors), we are expecting PMPM's on that basis to be up very modestly – 0% to 1% in 2008 versus full year 2007.

The implicit assumption underneath that is that the productivity gains that we expect to achieve as part of our multi-year plan will essentially be offset by increasing expenses to support market facing capabilities, including the higher technology expenses. Christine, this reflects the fact that we are cognizant of the need to balance earnings growth with additional investments to support our long-term market position. At this point we think the current 2008 plan strikes that balance. This is certainly something that we are going to continue to evaluate throughout the year, and we will also provide some additional detail to you at our Investor Day.

Christine Arnold:

Am I thinking about this wrongly? I'm thinking that you guys had targeted down 2% to 3%, even with some of your market facing investments the last couple of years. You have 99 point something or another percent of membership on end-state platforms. So I was hoping to see more operating expense leverage in 2008. Am I thinking about the historical targets wrong?

Mike Bell:

Christine, I believe you are thinking about it right. I believe a discussion regarding some of the investments we are making in market facing capabilities, as well as the net productivity gains that we expect to continue in 2009 and 2010, at our Investor Day will be helpful. We continue to believe there is favorability to be captured on a net basis in 2009 and 2010 from productivity gains, and we will update those estimates for you in two weeks at our Investor Day.

Christine Arnold:

So this is a timing issue. We are going to see more of the benefit of Transformation in 2009 and 2010, but more spending in 2008 – is that fair?

Mike Bell:

I think it is fair to say that there are timing issues, again I would rather not go into more detail until we can provide greater context.

Christine Arnold:

OK. And is it fair to say that you expect guaranteed cost enrollment to be down full year 2008? Or do you expect that to kind of dip entering the year and then rise after that?

Mike Bell:

Christine, at this point we certainly expect some modest downward pressure on guaranteed cost enrollment in first quarter 2008. In terms of the remainder of the year, it is hard to gauge, because it will depend in large part on the competitive pricing environment. We do expect to maintain our pricing discipline over the remainder of the year. At this point, we expect some modest increases for second

quarter through fourth quarter 2008, but again, that is very much in a state of flux given the pricing environment.

Christine Arnold:

So you're more dedicated to the MLR target than to the enrollment?

Mike Bell:

Yes, that is a fair comment.

Christine Arnold:

OK. Thank you.

Justin Lake (UBS):

I just wanted to discuss a little bit more on this competitive pricing that you're discussing. Can you give us any detail in regards to any specific segments of your book that are getting competed against? Is it in specific geographies? Is it not-for-profits or for-profits that are taking business? Is there anything you can tell us that might give us some help in understanding what's going on?

David Cordani:

First, we see it very pronounced in the guaranteed cost segment, and candidly, as I look at my competitor's results, most competitors are demonstrating de minimis guaranteed cost growth. So we see competition in guaranteed cost.

Second, if we were to point to a region of the country to give you a little bit more flavor, the southeast and the southern most southeast, Georgia down through Florida, tends to be an extraordinarily competitive market right now.

Regarding the third part of your question about whether we see it in more for-profit versus not-for-profits, there is a pattern that has existed for quite some time. At any given point in time, in any state, you might see not-for-profits getting a bit more aggressive and dealing with a little bit of capital being returned. I see that as a continuation of a trend with little flare-ups in some locations.

Broadly, we see a very competitive landscape, and to Mike's prior point, we are committed to maintaining the pricing and underwriting discipline that this market requires.

My final comment is that we feel very good, because we have such a diversified funding mechanism portfolio. We are not just guaranteed cost, we are seeing some traction emerging on the experience-rated product, and we are seeing the ability to carry a highly-penetrated ASO alternative further down market. So we are not a one-trick pony, for lack of a better description, in the marketplace right now.

Justin Lake:

Sure. Maybe you can just spend a moment talking about the components of that commercial HMO book as far as what's specifically sitting in there. Is it large employers, or middle market? Is it a lot of government business? What we should be thinking there as far as the competitive segments.

David Cordani:

Sure, Justin. You said "commercial", which I am going to expand to "risk", because, as Mike said, we look at our risk open access and risk HMO together. That is how we look at that block of business. Historically, our book has been predominantly middle market with some national account business in

there. And as you might expect, if it is national account business in risk, it is going to be slice business. First and foremost, we have tried to take a very targeted approach in the slice national accounts space. To the extent we did not believe it was a good long-term proposition for us or the employer, we would exit some of that business.

First, we are predominantly middle market in our book of business today. We define middle market as commercial employers with 200 to 5,000 employees. Historically, there has been some national account business there, and we have whittled that down a bit over the last couple of years.

Secondly, as we have discussed our expansion initiatives looking forward, we see some very attractive opportunity for us to expand further in the under 200 employee market, then ultimately the under 50 employee market, with the guaranteed cost product. But as we stand today, we have primarily middle market business in that segment, which makes up approximately, one million members, or 10%, of our total membership portfolio today.

Justin Lake:

That's helpful. When you talk about larger commercial employers, are they conversions to ASO that you're seeing? Is it a reduction in the slice where they're pushing people more to a single plan offering, or is it someone just coming in and saying, "we're willing to do that at a much lower price point"?

David Cordani:

Justin, I would say two things. First, broadly in the marketplace, we continue to see the ASO funding mechanism and alternative funding mechanisms continue to work their way down in some segments as a general theme.

Secondly, specific to large employers, historically you would have a large employer that might take a guaranteed cost alternative in one or two or three of their geographies, or run a guaranteed cost HMO side-by-side with an ASO PPO in a certain market.

Over the long term, that side-by-side alternative is not necessarily a winner. You are exposed to a bit more adverse selection. So the two themes we see in national accounts, or even the high end of middle market, are more ASO penetration moving down market, and secondly, recognition that potentially a side-by-side of a slice proposition of guaranteed cost with ASO is not necessarily a long-term winner for us.

Justin Lake:

Got it. Last year at around this time, you gave us some really good detailed numbers around your pipeline growth year-over-year, case sizes, close ratios. Can you run those by us again?

David Cordani:

I will provide a little color there, and we will expound on this at our Investor Day. We have two predominant segments – national and regional. As we entered 2008 in the national segment, we expected to see a good pipeline, about the same size as the prior year, and I would like to remind you that the prior year's pipeline was up significantly. A couple of quarters ago, we said the average case size appeared to be a bit larger, and that has unfolded. For national accounts, our latest look at our January 1 business indicates that our close ratio is pretty strong.

Concluding on that, we expect the retention rates to be near our historical average for the national segment, which is in the low to mid 90's. For the regional block of business, which we define a bit more broadly than our competition, as commercial employers with 200 to 5,000 employees and single-site large employers, as we sit here today, that pipeline is up somewhat absent some large cases. It is up approximately 10%, which we are happy with, because last year it was up meaningfully, and it was very

attractive. As we sit here today, the close ratio against the regional book is about equal to where it was last year, which we feel good about.

Justin Lake:

You said the close ratio in national accounts, was that up or down?

David Cordani:

Going into 2008, it is up somewhat.

Justin Lake:

Great, thanks a lot.

END