

CIGNA CORPORATION

THIRD QUARTER 2009 INVESTOR TELECONFERENCE
PHILADELPHIA, PA
THURSDAY, NOVEMBER 5, 2009

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

**DAVID M. CORDANI – PRESIDENT AND
CHIEF OPERATING OFFICER**

**ANNMARIE T. HAGAN – EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER**

**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

The Company and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company'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, the Company's productivity initiatives, litigation and other legal matters, operational improvement in the health care operations, and the outlook for the Company's full year 2009 and 2010 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. The Company 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 the Company'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 the Company's employee benefits businesses;
3. challenges and risks associated with implementing operational improvement initiatives and strategic actions in the ongoing operations of the businesses, 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, (v) lowering administrative costs and (vi) transitioning to an integrated operating company model, including operating efficiencies related to the transition;
4. risks associated with pending and potential state and federal class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company's businesses, government investigations and proceedings, and tax audits and related litigation;
5. heightened competition, particularly price competition, which could reduce product margins and constrain growth in the Company's businesses, primarily the Health Care business;
6. risks associated with the Company's mail order pharmacy business which, among other things, includes any potential operational deficiencies or service issues as well as loss or suspension of state pharmacy licenses;
7. significant changes in interest rates and deterioration in the loan to value ratios of commercial real estate investments for a sustained period of time;
8. downgrades in the financial strength ratings of the Company's insurance subsidiaries, which could, among other things, adversely affect new sales, retention of current business as well as a downgrade in financial strength ratings of reinsurers which could result in increased statutory reserve or capital requirements;
9. limitations on the ability of the Company'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;
10. inability of the program adopted by the Company 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);

11. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating the Company's liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
12. adjustments to the assumptions (including annuity election rates and amounts collectible from reinsurers) used in estimating the Company's assets and liabilities for reinsurance contracts covering guaranteed minimum income benefits under certain variable annuities;
13. significant stock market declines, which could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and the Company's pension plans in future periods as well as the recognition of additional pension obligations;
14. 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;
15. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the Company's operations, investments, liquidity and access to capital markets;
16. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the businesses of our customers (including the amount and type of health care services provided to their workforce, loss in workforce and our customers' ability to pay receivables) and our vendors (including their ability to provide services);
17. 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 (including health care reform legislation that could include, among other items, a broad based public sector alternative and/or alternative assessments and tax increases specific to the Company's industry), which could increase cost and affect the market for the Company's health care products and services; and amendments to income tax laws, which could affect the taxation of employer provided benefits and certain insurance products such as corporate-owned life insurance;
18. potential public health epidemics, pandemics and bio-terrorist activity, which could, among other things, cause the Company'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;
19. risks associated with security or interruption of information systems, which could, among other things, cause operational disruption;
20. challenges and risks associated with the successful management of the Company's outsourcing projects or key vendors, including the agreement with IBM for provision of technology infrastructure and related services;
21. the ability to successfully integrate and operate the businesses acquired from Great-West by, among other things, renewing insurance and administrative services contracts on competitive terms, retaining and growing membership, realizing revenue, expense and other synergies, successfully leveraging the information technology platform of the acquired businesses, and retaining key personnel; and
22. the ability of the Company to execute its growth plans by successfully managing Great-West Health care's outsourcing projects and leveraging the Company's capabilities and those of the businesses acquired from Great-West to further enhance the combined organization's network access position, underwriting effectiveness, delivery of quality member and provider service, and increased penetration of its membership base with differentiated product offerings.

This list of important factors is not intended to be exhaustive. Other sections of the Company's most recent Annual Report on Form 10-K, including the "Risk Factors" section, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2009, June 30, 2009 and September 30, 2009, 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 the Company from realizing the forward-looking statements. The Company 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 (Vice President, 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; David Cordani, our President and Chief Operating Officer and Annmarie Hagan, CIGNA's Chief Financial Officer.

In our remarks today, Ed Hanway will begin by briefly commenting on CIGNA's third quarter results. David Cordani will provide his perspective on the third quarter and a full-year outlook for CIGNA's ongoing businesses. He will also provide an update on our cost reduction initiatives and how we are positioning ourselves for 2010 and beyond. Annmarie Hagan will then review the financial details for the quarter and provide the financial outlook for full-year 2009. She will also provide high-level commentary regarding our 2010 outlook. Ed will then conclude with an update on the topic of health care reform before we open the lines for your questions.

As noted in our earnings release CIGNA uses certain financial measures which are not determined in accordance with Generally Accepted Accounting Principals or GAAP when describing its financial results. Specifically, we use the term labeled "adjusted income from operations" as the principle measure of performance for CIGNA and our operating segments. "Adjusted income from operations" is defined as shareholders' income from continuing operations excluding realized investment results, special items and the result of our guaranteed minimum income benefits (GMIB) business.

A reconciliation of "adjusted income from operations" to shareholders' 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.

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 and those risk factors are discussed in today's earnings release.

Before turning the call over to Ed, I will cover a few items pertaining to our third quarter results. Regarding results, I note that in the quarter we recorded a charge of \$7 million after tax related to CIGNA's previously announced cost-reduction plan which we reported as a special item. I would remind you that special items are excluded from "adjusted income from operations" and today's discussion of both our third quarter results and full-year 2009 and 2010 outlooks.

Relative to our Run-off Reinsurance operations our third quarter shareholders' net income included after-tax income of \$16 million or \$0.06 per share related to the guaranteed minimum income benefits business otherwise known as GMIB.

I would remind you that the impact of FASB's fair value disclosure and measurement guidance on our GMIB results is for GAAP accounting purposes only. We believe that the application of this guidance does not represent management's expectation of the ultimate liability payout.

Because of the application of this accounting guidance, CIGNA's results for the GMIB business will be volatile as any future change in the exit value of GMIB's assets and liabilities will be recorded in shareholder's net income.

CIGNA's 2009 and 2010 earnings outlooks, which we will discuss in a few moments, exclude the results of the GMIB business and therefore any potential volatility related to the perspective application of this accounting guidance.

One last item, I would like to remind you that CIGNA will be hosting its annual Investor Day this year on November 20th in New York City. With that, I'll turn it over to Ed.

Ed Hanway (Chairman and CEO):

Thanks, Ted. Good morning everyone. Our third quarter 2009 "adjusted income from operations" was \$311 million or \$1.13 a share. Our third quarter-consolidated results reflect solid earnings contributions from each of our ongoing operations and demonstrates the benefits of our diversified portfolio of businesses in this challenging economic environment.

For Health Care, earnings were \$204 million in the third quarter representing a \$27 million increase over the second quarter 2009 result. This result is in line with our expectation of second half Health Care earnings being meaningful higher than the first half and is consistent with the earnings trajectory provided in our full-year earnings outlook.

Our Health Care results continue to demonstrate our strong focus on managing operating expenses while maintaining our quality service and clinical program delivery. For our Group Disability and Life business we reported earnings of \$65 million and we continued to achieve competitively attractive margins in this business. This earnings result is evidence that our superior disability management programs continue to create value for our customers.

Third quarter earnings in our International segment were \$40 million which were below expectations. We continue to be pleased with both the top line growth and earnings contributions of International, where margins continue to be competitively strong.

Our investment portfolio including our commercial mortgage loans continues to perform well relative to market conditions and we believe this is a direct result of our discipline approach to investing.

In addition, our capital position remains strong and we continue to maintain the financial flexibility to weather potential challenges in the capital markets. Regarding our full-year 2009 outlook we continue to expect earnings per share will be in the range of \$3.80 to \$4.00 per share. This reflects a modest change to the upper end of our Health Care outlook as well as favorable third quarter results from our Run-off Reinsurance business.

Overall I remain confident in our ability to achieve our 2009 operating goals and earnings estimates in this challenging business environment. Achievement of these goals has been and will continue to be the direct result of our disciplined focus on creating value for our customers by improving the health, well-being and sense of security of the people we serve.

With that, I am going to turn the call over to David.

David Cordani (President and COO):

Thanks, Ed and good morning everyone.

Today, I will review our third quarter results for our ongoing operations and I'll comment on our full-year 2009 outlook, both against the backdrop of the current conditions in the health benefits marketplace. I'll also provide an update on our ongoing operating cost reduction initiatives and I will briefly discuss our strategy, specifically how we are positioning ourselves for 2010 and beyond.

So let's get started.

Third quarter 2009 Health Care earnings increased sequentially, as expected, and reflect good progress on reducing operating expenses, as well as seasonal improvement in Medicare Part D results. This was tempered by medical cost pressure in our guaranteed cost book of business. Overall earnings results

were strong from our specialty businesses, however, we did experience pressure in our stop-loss portfolio.

Specific to our Great West stop-loss book of business, results continue to be strong as we deliver cost improvements for our customers. Relative to this portfolio, we expect to achieve virtually all of the total medical cost improvement by the end of this year.

Turning to expenses, we continue to realize improvements as a result of our multi-phase action plan. We've balanced these actions with ongoing technology investments and strong service and clinical program delivery for our customers, clients, doctors, hospitals and producers.

Moving to membership, our third quarter results were in line with our expectations at just over 11 million members. Our risk membership was stable in the quarter driven by ongoing growth in our individual membership and demand for our leaner risk products.

For 2009, we continue to expect medical membership to decline by approximately 5% to 5.5%. While our account retention rates are strong, high unemployment levels have driven higher disenrollment which accounts for the majority of our membership losses.

Overall, our third quarter Health Care earnings increased sequentially as expected. Let's turn to our third quarter results for our Group Disability and Life business.

Earnings in the quarter were strong driven by good margins in each line of business. Our best-in-class disability management programs deliver value to our clients by returning their employees to health and helping them get back to work more quickly than the competition. We continue to closely monitor emerging economic trends and expect the impact from the current downturn to be manageable.

For our International business, earnings in the quarter were mixed with improved policy retention rates offset somewhat by unfavorable claims experience. We continue to see good demand for our supplemental health insurance products as the growing middle-class, particularly in Asia, are looking for simple, affordable products to fill gaps in their coverage levels.

Overall, our Group Disability and Life, and International results in the third quarter were solid considering the global economic recession.

Now let's take a look at the current conditions in the health benefits marketplace.

The pricing environment remains competitive and our strategy is to maintain our underwriting discipline. It's clear that our industry is facing medical cost pressure.

Regarding our book of business we expect total medical cost trend to be at the upper end of our 7% to 8% range driven by the impact of H1N1.

In today's environment, two distinct purchasing criteria have emerged: commodity based offerings that focus on supply side programs and value based offerings that balance supply side programs with demand-based programs that incent and engage individuals to improve their health and productivity.

Our message is resonating well with clients who employ value based criteria. Our approach of truly listening to our customers, then taking the opportunity to understand them and then using that understanding to help them is resonating.

We help by driving active participation of our individual customers with us and their physicians to manage their health. This leads to lower health risks, improved health and as a result, lower costs and higher productivity. We continue to see good cost and productivity results for our innovative customers as they balance effective supply and demand based programs.

Today winning in the marketplace clearly requires you to demonstrate value. We do this through our service levels, our total cost management programs and consumer engagement capabilities.

Looking to 2010, currently we expect commercial medical membership to be stable, with meaningful growth in the middle market offsetting declines in the national segment.

We recognize that ongoing operating expense improvements are important to drive continue progress in the marketplace. This quarter we made further progress with our cost reduction program. In total, the actions we've taken this year will result in annualized pre-tax benefits of approximately \$150 million for the enterprise. We recognize there is still more to do and we remain committed to the execution of our multi-year expense strategy to meaningfully improve our expense position.

It is important to note that as we make progress on improving our operating expense levels we will continue to balance our strong service levels and our commitment to clinical excellence for the benefit of our customers and the need to invest prudently in technology.

We will discuss these areas in greater detail at our Investor Day on November 20th.

So that's a look at where we are to date. Now let's discuss how we're positioning for 2010 and beyond. We will review our strategy in depth at Investor Day later this month for now let me provide just a few highlights.

First and foremost, our mission remains the same. We are committed to helping the people we serve improve their health, well-being and sense of security. To give you a preview, our strategy is all about driving focus and playing to our strengths, where we can win today.

An example is the competitive strength of our middle market segment where we have historically strong performance in our Health Care lines and our Disability lines. In addition we will also leverage our capabilities to extend and build in high growth markets.

An example is that we are the only player with a diverse global footprint. We will build and expand further here. To achieve this broadly, we will organize around our customers and expect to have a fully competitive cost structure.

As I noted, we are looking forward to reviewing our new strategy with you later this month.

Looking to 2010, clearly we recognize that it will be a challenging year given the state of the global economy and the uncertainty of U.S. health care reform. Some of the headwinds include high unemployment levels, ongoing pressure on medical cost trends and the need for targeted technology investments. Despite these macro headwinds, CIGNA is positioned to deliver competitively attractive earnings from our ongoing businesses and we expect our medical membership to be stable for 2010.

Before I turn the call over to Annmarie, I will reiterate just a few highlights. Our third quarter results were solid and we remain committed to our full-year earnings outlook. Our service and clinical results continue to differentiate us across the globe. Finally, in 2010 we expect to deliver competitively attractive earnings. At this point, I'll turn it over to Annmarie.

Annmarie Hagan (Chief Financial Officer):

Thank you, David. Good morning everyone.

In my remarks today, I will review CIGNA's third quarter 2009 results. I will also discuss our outlook for the balance of 2009 and then provide some high-level commentary regarding our 2010 outlook. In my review of consolidated and segment results, I will comment on "adjusted income from operations." This is

shareholders' income from continuing operations excluding realized investment results, GMIB results and special items. This is also the basis on which I will discuss our earnings outlook.

Our third quarter consolidated earnings were \$311 million or \$1.13 per share compared to \$246 million or \$0.89 per share in 2008. Our consolidated third quarter 2009 earnings reflect solid results from all of our ongoing businesses. That is Health Care, Group Disability and Life, and International. I will now review each of the segment results beginning with Health Care.

As expected, Health Care earnings increased sequentially. Third quarter Health Care earnings were \$204 million compared to \$177 million in the second quarter. The sequential increase in earnings primarily reflected reduced operating expenses and seasonal improvement in our Medicare Part D results.

While overall our specialty businesses continued to report strong results they were tempered somewhat by pressure on our stop-loss book of business. Overall operating expenses decreased sequentially and were lower than expected. This result demonstrates our continued focus on effective expense management while investing prudently in technology and maintaining strong service levels.

Health care membership declined by 85,000 lives in the quarter. This result was in line with our expectations and primarily reflects the continued impact of disenrollment on our Administrative Services Only (ASO) book of business. It is important to note that our guaranteed cost membership was down a modest 1% in the quarter compared to a year-to-date decline of 14%.

I will now discuss our Health Care results by major component.

In the quarter, we experienced some medical cost pressure on our total book which was largely flu related. Relative to our guaranteed cost loss ratio the third quarter was higher than expected despite showing modest sequential improvement reflecting the impact of flu related and other facility based claims. Our year-to-date guaranteed cost loss ratio was 85.3% excluding our voluntary business. On a year-to-date basis, flu related claims including H1N1 contributed 30 basis points to the Medical Cost Ratio (MCR) or approximately \$5 million after tax. In addition, as discussed last quarter the impact of unfavorable prior year claim development through the first 9 months of this year was approximately 50 basis points to the MCR. Excluding the impact of flu related and prior year claim development our year-to-date guaranteed cost loss ratio would be 84.5%. We continue to maintain good pricing and underwriting discipline for the guaranteed cost book with yields running at or slightly above our updated trend outlook.

Relative to our stop-loss book, overall earnings continued to be strong in part reflecting strong contributions from the former Great West stop-loss business. In the quarter specifically, we experienced some revenue pressure primarily due to disenrollment which resulted in lower than expected earnings. We remain on target to achieve our total medical cost improvement initiatives on the Great West stop-loss book.

Overall, our experience rated results continue to be in line with our expectations reflecting favorable operating expenses and solid underwriting execution on our renewal book of business.

Our ASO results increased in the second quarter driven by favorable operating expenses and sustained contributions from our specialty businesses.

Now, I will discuss the results of our other segments. Third quarter 2009 earnings in our Group Disability and Life segment were \$65 million. This segment continues to deliver competitively attractive margins driven by the value we provide to customers through our disability management programs. Results in the quarter also reflected continued favorable accident claim experience.

In our International segment, third quarter 2009 earnings were \$40 million reflecting the impact of global economic pressures including unfavorable claim experience. I would note that overall our International business continues to deliver competitively strong margins.

Earnings for our remaining operations including, Run-off Reinsurance, Other Operations and Corporate totaled to a gain of \$2 million for the quarter. Third quarter results in the Run-off Reinsurance segment were a net gain of \$14 million and included favorable claim development in our discontinued workers compensation and personal accident books of business. As a result of continued stability in the equity markets, no Variable Annuity Death Benefits (VADBe) reserve strengthening was required in the quarter.

I will now comment on our investment portfolio and results.

Overall, our investment portfolio continues to perform well. During the third quarter, we posted a net realized investment gain which totaled \$9 million after tax. We view this as a strong result given the current market conditions. Regarding our commercial mortgage loan portfolio of \$3.6 billion, third quarter performance remains strong and problem loans continued to be manageable. We have not taken any significant impairments on either our problem or potential problem loans as the market values of the properties continued to exceed the loan values. Problem loans now total \$100 million or less than 3% of our total loan portfolio. Potential problem loans now total \$239 million, or less than 7% of our total loan portfolio. All of these loans continue to meet their contractual cash flow obligations. For the total portfolio, the loan to value ratio is 77% which is generally consistent with our second quarter annual loan review.

Overall, we continued to be quite pleased with the makeup of our investment portfolio and its strong performance relative to the current market conditions, and we believe our problem investment exposure is manageable.

I will now provide a brief update on CIGNA's capital management position and outlook including a summary of our subsidiary capital and our parent company liquidity. Overall, we continued to have a strong balance sheet and good financial flexibility. We ended the third quarter with cash and short-term investments at the parent of approximately \$210 million including outstanding commercial paper borrowing of approximately \$100 million. We remain on track to achieve our 2009 capital management goals. Specifically, as of September 30 we have achieved our targeted surplus levels which are approximately 600% of the authorized control level. We ended the quarter with approximately \$3.8 billion of statutory surplus in our domestic subsidiaries. This is far in excess of regulatory minimums. Year-to-date we have contributed \$354 million pre tax to our pension plan and this is relative to our expected full year enterprise contribution of approximately \$410 million pre-tax.

We now expect to build parent company cash to \$350 million by year-end including \$100 million of outstanding commercial paper borrowing. This projected ending balance reflects maintaining our subsidiary capital levels at or above target through year-end 2009. This is an improvement to our previous expectation of \$275 million with the increase driven primarily by modestly higher than expected subsidiary dividends and other tax related adjustments. Our expectations for pension funding remain unchanged.

I would remind you that we do not anticipate having capacity for share repurchase in 2009 and we have no long-term debt maturing until 2011.

Overall, our current capital outlook remains positive. Based on our progress in 2009 we expect to be in a position to resume our normal capital deployment strategy in 2010.

I will now review our earnings outlook. For full year 2009 we continue to expect consolidated "adjusted income from operations" of \$1.04 billion to \$1.1 billion. We also continue to expect full year earnings per share in a range of \$3.80 to \$4.00 per share. Our current outlook now reflects slight pressure in our Health Care and International businesses, offset by the favorable claim development in our third quarter Run-off Reinsurance results. I would also note that our updated earnings outlook assumes our VADBe

results are break even for the fourth quarter since we believe that our current reserve assumptions are appropriate.

I will now discuss the components of our 2009 outlook starting with Health Care. Because of medical cost pressure, we have modestly lowered the upper-end of our outlook range. We now expect Health Care earnings in the range of \$700 to \$750 million for the full year. Specifically, our outlook now reflects expected medical cost pressure in our guaranteed cost book of business and to a lesser extent lower stop-loss earnings, partially offset by lower operating expenses reflecting continued progress on our cost reduction initiatives.

Relative to our guaranteed cost book of business, we now expect our full year loss ratio excluding voluntary to be in the range of 85% to 86%, which is 100 basis points higher than our previous estimate. This revised outlook primarily reflects the higher than expected impact of flu related and other facility based claims experienced in the third quarter. This also contemplates our expectation for continued H1N1 pressure in the fourth quarter. Regarding our stop-loss book of business, we expect lower earnings given the revenue pressure we are experiencing primarily related to disenrollment. Our stop-loss book continues to be a strong earnings contributor to the overall Health Care results. As a result of this medical cost pressure, we now expect full year medical cost trend for our total book of business to be towards the upper end of our 7% to 8% range.

We continue to expect medical membership to decline by approximately 5% to 5.5% for full year 2009.

Regarding our other businesses, we expect the remaining operations to contribute approximately \$340 million to \$350 million in earnings for the full year. This includes continued solid earnings contributions from both the Group Disability and Life and International operations. These two businesses consistently deliver competitively strong margins and continue to see good demand for their products and services.

All-in, we continue to expect consolidated earnings per share to be in the range of \$3.80 to \$4.00 per share and this assumes that VADBe results are break even for the balance of the year.

I will now comment on our 2010 expectations. We will provide additional detail on our financial outlook at our upcoming Investor Day. Today I will walk through our expectations at a high level, but I would first acknowledge that we are operating in a challenging environment. This relates to both the current economic conditions, as well as uncertainty surrounding health care reform. On this latter point, note that our outlook does not reflect material changes to our business model in 2010 as a result of reform.

Overall, we expect flat to low single digit percentage earnings growth in our 2010 consolidated "adjusted income from operations." This outlook reflects Health Care earnings growth in the low to mid single digits, flat to low single digit earnings growth for our combined Group Disability and Life and International segments, and VADBe results at break even.

There are several factors that we expect to impact our 2010 results. First, relative to membership, we expect to end 2010 with medical membership that is stable with the year-end 2009 results. While overall 2010 membership results are expected to be stable, we would expect an earnings headwind in 2010 due to the full year impact of membership losses that occurred throughout 2009. As David discussed earlier, embedded within this overall membership expectation, we anticipate strong growth in our middle market segment which has attractive margins, offset by a net decline in the national accounts segment.

Second, there is the potential for further pressure on medical costs which include the flu and H1N1. Third, we expect a benefit relating to operating expenses as we continue to execute our cost reduction initiatives while maintaining prudent investment in clinical and service capabilities and related technology.

Overall, we expect flat to low single digit percentage earnings growth in our 2010 consolidated "adjusted income from operations." This consolidated operating earnings outlook, translates to an expected consolidated earnings per share that is approximately flat with the 2009 results.

This earnings per share expectation is impacted by an expected increase in the weighted average share count. We expect our weighted average share count for 2010 to increase by approximately 3 million shares due to the following. First, the impact of significant share appreciation on outstanding options and second, the impact of an accounting pronouncement which requires the inclusion of certain restrictive stock grants in the average share calculation. These factors increasing the share count are occurring in an environment where we have not repurchased shares since the third quarter of 2008. In addition, I will remind you, this earnings per share outlook does not include any potential impact for share repurchases.

Overall, we believe our outlook for fundamental operating earnings growth in 2010 would be a solid result in this challenging environment and is further evidence of the strength of our diversified portfolio of businesses.

Again, we will provide additional detail on our earnings and membership expectations for 2010 at our Investor Day on November 20th in New York City.

Now to recap, earnings in the third quarter reflect the continued value of our diversified business portfolio, as well as our continued focus on effective operating expense management. While there continues to be uncertainty around the economy and emerging medical cost pressures, we are confident in our ability to achieve our full-year 2009 earnings outlook as well as our 2010 earnings per share and membership expectations. Finally, our capital position and our investment management results remain strong relative to current market conditions. With that I'll turn it back over to Ed.

Ed Hanway (Chairman and CEO):

Thanks, Annmarie.

Let me now make a few brief comments on health care reform and I'll conclude with a couple of overall observations. Regarding health care reform I would note that CIGNA continues to be quite active in the debate around the future of our health care system. We remain steadfast in our belief that we need to address the three fundamental issues of access, cost and quality if we are to effectively improve our health care system. There are several reform proposals currently being considered in Congress and while some of these proposals may impact CIGNA's businesses to a lesser extent than our competitors due to our diversified portfolio of businesses and our mix of medical membership, we are nonetheless concerned with the potential impact that such proposals would introduce into the health care system.

Specifically, while some of the current proposals appear to facilitate and/or finance increased access to health care this is just one of the goals of health care reform. Unfortunately, many of these proposals do very little to address the issues of cost and quality. In fact, most of the reform bills being discussed would actually generate additional costs both medical and administrative that would make health care even less affordable for Americans than under the current system.

To address all three goals of health care reform, we believe that improving upon the current employer based system is the ideal place to start. For one, the employer-based system services more than 160 million Americans today. In addition, CIGNA and other companies in our industry have effectively worked with employer groups and individuals to remove excess costs in the system through integrating products and services that focus on effective consumer engagement, as well as health improvement and wellness. At CIGNA, we believe that every American should have access to affordable quality health care through continued development of health advocacy programs as well as cost management and wellness initiatives. While the ultimate outcome of reform is still very difficult to predict, we believe that effective reform can be achieved through a coordinated public and private partnership of all health care stakeholders and we will continue to diligently work toward that end.

Results from our ongoing businesses in the quarter were solid and demonstrate the value of our diversified portfolio of businesses. Second, as Annmarie noted our capital position is strong and our investment portfolio is of high quality and well managed. Finally, I am confident in our ability to achieve

our full year 2009 earnings targets for our ongoing businesses and I am also confident in the ability of our management team to continue to improve our competitive position as we head into 2010 and thereby create value for the benefit of our customers and our shareholders.

We will provide more detail regarding our strategy and 2010 financial outlook at our upcoming Investor Day in a couple of weeks. So with that, we would now be glad to take your questions.

Ana Gupte (Sanford Bernstein)

I see that your premium yields are pretty healthy and your guaranteed cost, even excluding the voluntary, is just declining by 1%, whereas your competitors are seeing some pretty significant declines and projecting pretty significant declines for next year. Can you comment on how much of that is individual? Are you seeing stable performance in small group and why might that be and why are you different relative to what others are seeing?

David Cordani (President and COO):

Relative to guaranteed cost, as we noted in our prepared remarks, we're seeing some traction in the individual line of business. We're focused on a limited number of geographies. We initially launched in five geographies in 2008 and moved to five additional geographies in 2010. Secondly, and very importantly, we launched leaner benefits that we began selling in 2009 and are seeing some good traction in terms of launching leaner benefits for the employer sponsored space.

Specific to small group, which the industry typically defines as under 50 lives, that's a very small percentage of our overall book of business. Think about it as less than half a percent of our overall membership falling into that category, so I would not identify that as a driving force.

So to recap, individual traction is good. Contribution of leaner benefit programs to the employer sponsored space is good, with a reasonable balance of improving account retention along with new business sales in what we call our select segment, employers between 50 and 250 lives.

Ana Gupte:

My follow-up is related to reform and I believe yesterday Kaiser is now suggesting that this [tax] fee would not only be extended to the fully insured books, but also ASO and I wanted to know how you see that playing out? Would that be passed on directly to the self-insured employers or are the insurers also on the hook for some of that if this does play out that way?

Ed Hanway (Chairman and CEO):

It's a little hard to predict exactly how that's likely to play out. I would tell you that the one thing we are focused on and working on very diligently is not only the fee, but all of the revenue raisers in the bill because the concern we have is that these charges will ultimately find their way into premium rates or into fees and they will be passed on. This will simply increase costs for everyone.

So I think it's a little premature to conclude exactly how the final financing is likely to work on these bills, but I would tell you we are attempting to very aggressively make the point that all of these increased fees obviously need to be paid for and ultimately will find their way into ratings structures. And I think, quite frankly as I said, it's going to be a little bit of time until we see exactly how this works.

Matthew Borsch (Goldman Sachs):

My question is on your long-term strategic thinking, and I know you've gotten this question before, but I'm wondering what your latest thinking is about the health care business versus the non-health care piece and the backdrop obviously being you've got sort of two feet in health care and one foot in the multi-line businesses. I understand there is a lot of attractive segments there, but it seems to be a barrier for dedicated health care investors. Any discussions that you can provide in terms of your thinking on that as to whether you might at some point break things up and recognize shareholder value in anyway?

Ed Hanway (Chairman and CEO):

As we've said here in the prepared remarks, I think we have consistently viewed the businesses that we have as an attractive portfolio. In fact, I think you're seeing that reflected not only in third quarter results but in our expectations for the next couple of years in terms of very difficult economic environment, obviously a very difficult health care environment. I think our expectation that we can, even in spite of those factors grow earnings is reflective of the fact that we have a lot of confidence in these businesses.

The other point I would make is, and I think this point is probably lost at some point with investors, is that there is good synergy amongst several of these businesses. David referenced, for example, the strength of our middle market operations both across health care and disability and the increasing integration of those we believe provides us very good value. Now, as we've talked before, we're very strong in disability on a stand-alone basis but when you combine that with the capabilities on the health care side, there is very good opportunity for us there.

Secondly, on the International business, what we are doing internationally is oftentimes finding gaps in national systems where growing middle classes are looking for protection. So there is some natural synergy there, as well, to take some concepts that work well domestically here and vice versa. We do believe, Matthew, that the portfolio of capabilities across these three large groups provides very good revenue growth opportunities as well as some very good earnings growth opportunities. In fact, they help differentiate us more broadly from some of the competitors in our space.

Matthew Borsch:

There has been some speculation that you were having discussions around seeing what value you could get for your Pharmacy Benefit Manager (PBM) unit, but that you've decided that you'll retain that in-house. Is that accurate?

David Cordani (President and COO):

Your conclusion is accurate, what we had indicated earlier this year was that we were going to take a thorough and hard look at this asset, as you would expect us to do based on your first comment for all of the assets in our portfolio. As we looked at our PBM specifically, we were able to validate that it is performing very well based upon both stand-alone as well as integrated PBM indicators. Secondly, it is currently critical to our integrated value proposition so we've concluded that it's important strategically to us.

As we said in the second quarter and we will reiterate today for this asset as well as all assets, we will continue to revisit them to your broader question to make sure that we are confident that the inclusion of that business and all of our businesses makes sense as part of our portfolio. But our conclusion as of today is yes.

Scott Fidel (Deutsche Bank):

Can you talk about your medical cost trend expectations for 2010 how that might relate to the 8% that you're now looking for in 2009 and then talk about your views on any changes in the cost components for 2010?

Annamarie Hagan (Chief Financial Officer):

Relative to the 2010 medical cost trend we're going to give you a bit more detail on that at Investor Day in a couple of weeks. You're correct in stating that we're now at the upper end of that 7% to 8% for 2009. We'll drill down onto specific 2010 earnings levers at large in a couple of weeks with you. Relative to the components of our 2009 trend, other than pharmacy all other components remain unchanged. The pharmacy is now in the high single digits..

Scott Fidel:

To follow-up on another strategy question on the plans for the expansion in individual and small group and clearly it's still a very small piece of the business, but how are you thinking about that now in the context of health reform and is there any change to the pace that you're looking at expanding at until we see some more clarity on reform or sort of just all systems still go in terms of the individual and small group rollout?

David Cordani (President and COO):

Specifically to individual as I referenced earlier, our current approach relative to individual primary insurance in the U.S. is to be very focused. We're focused on 10 geographies as we sit here today and we expect to continue that on a very pinpointed basis both to drive targeted growth as well as to learn; product innovation as you'd expect, monthly evolution in terms of product, different distribution models, both primary and general agent models, Internet based distribution. We'd expect to continue to feed that and learn as we closely monitor aspects of reform.

Tying it back to a prior question as Ed referenced in terms of some of the inter-relationships with our businesses. When you think about the non-U.S. individual business, that business is primarily a supplemental business so we have a lot of knowledge outside the U.S. in terms of the way to augment social programs or gaps in government or employer based programs where individuals have needs or emerging needs. We're also keenly focused on making sure we're sharing from abroad to the U.S. and vice versa amongst our management teams.

So point one, is continue to be focused on targeted driving activity in the individual business. As it relates to the second part of your comment small group, typically defined as under 50, the majority of our expansion attention is really around the individual today. That under 50 block of business as it stands today is very small. It's historically been very small for CIGNA, currently very small for CIGNA and over the near term we do not see that changing meaningfully.

John Rex (JP Morgan):

I just wanted to see if we could get a little more color on the 2010 view you provided. So within that, just at least directionally, should we assume you're presuming essentially a kind of flattish top line and then apparently just a bit of underwriting margin or favorable spread? Is that a fair overall view or do you expect to get any favorable spread at all?

Annamarie Hagan (Chief Financial Officer):

As I noted, we'll give you much more detail in a couple of weeks at Investor Day, but at the highest level the top line remains flat to slightly up.

From a margin perspective I probably wouldn't expect a lot of expansion. As we've noted before, we have some headwinds related to our membership even though we're expecting flat in 2010,. Secondly, we have noted continually that we are committed to continuing to focus on operating expenses. So when you think of a tailwind, I would focus on the operating expense piece.

John Rex:

I'm just thinking in context of the type of yields I was seeing this quarter in your guaranteed cost book. It would seem that you used to be able to get some underwriting margin improvement on that book given what you're talking to in underlying medical cost trend and I was just wondering if I was reading that incorrectly?

Annamarie Hagan (Chief Financial Officer):

I don't think you're totally off base there. I think there is probably modest improvement. Having said that, there is some uncertainty relative to what 2010 looks like as the first quarter unfolds related to the flu and H1N1.

John Rex:

Can you just give us any commentary on what you're seeing in your books with regard to provider behaviors or the commentary in the marketplace that some have noted in terms of seeing aggressive coding or just aggressive utilization by providers and what you're seeing maybe in the context of your risk books and also kind of your observations on your self-funded books?

Annamarie Hagan (Chief Financial Officer):

As I noted in my prepared remarks, we had some flu related claims and we did see a bit of an up tick in the other facility-based claims. I would note that we have not seen any major disruptors or changes in claim submissions across the board. We had a small up tick in inpatient and outpatient and I would classify it in more of a category of acuity or severity. There are a bit more services being rendered and a bit more higher cost services, which one could attribute to some change in provider behavior, or and some change in consumer behavior given the economy. But there is nothing that is rampant and disruptive coming through our books to date whether it be on guaranteed cost or on the total book.

John Rex:

And again on your stop-loss book are ou'seeing more of these high dollar claims?

Annamarie Hagan (Chief Financial Officer):

In my prepared remarks, I did note that the stop-loss pressure was primarily revenue related. So kind of revenue, volume leverage. As you know on our ASO book we have about 50% of it penetrated with stop-loss. The disenrollment that we had noted on ASO also impacts stop-loss and it was more revenue; minor modest uptick in medical costs, but more revenue driven.

Josh Raskin (Barclays Capital):

Just trying to figure out a run rate in the third quarter and I think you mentioned, first was the Swine Flu, of \$5 million. I wanted to make sure that was all in the third quarter because I think you said year-to-date. Then could you quantify the unfavorable claims in International and conversely favorable development in the Run-off Reinsurance?

Annamarie Hagan (Chief Financial Officer):

First, to your specific question, the \$5 million on the flu, was all primarily in the third quarter. As you move from third quarter to fourth quarter, I would remind you that we are expecting probably an additional charge relative to flu. We've built in probably an additional \$8 million to \$10 million for the flu in the fourth quarter.

In addition our fourth quarter typically has some impact of seasonal deductibility on both the experience rated and guaranteed cost books. So if you looked at our implied guidance you probably would see a little bit of pressure going from third quarter to fourth quarter.

Josh Raskin:

The claims in the International and the Run-off Reinsurance favorability, do you have numbers around them?

Annamarie Hagan (Chief Financial Officer)

The Run-off Reinsurance is roughly \$15 million and it relates to annual reviews of our workers compensation and personal accident lines of business. These books are discontinued, we haven't written this stuff since 2000. On an annual basis, we do a review and were able to generate some good development on those lines. In the International book, the unfavorable claim experience is current year activity and is in the \$5 million to \$10 million range.

Josh Raskin:

Just trying to reconcile cash flow versus net income. And you know there is that massive change in the accounts payable, accrued expenses and other liabilities line item of I think \$1.1 billion or so. Does that include pension or what exactly is driving that, and how do we reconcile your cash flow generation versus your income generation?

Annamarie Hagan (Chief Financial Officer):

First I like to remind you all that we really focus on the parent company cash. As you'll note, we've increased the parent company liquidity \$75 million this quarter, and \$75 million a quarter ago. So the cash flow that we're generating overall from operations and the strength of the dividends that we can bring from our subsidiaries up to the parent is where I focus most and where I think the strongest evidence is of how I am feeling about cash flow.

Relative to your specific question on the cash flow statement, we made roughly \$975 million from a net income perspective through 9 months. There is a lot of moving parts in there: non-cash items, such as GMIB, depreciation, and a bunch of other non-cash items. Most of these are hitting the accounts payable line you're referring to. There cash outlays related to settling our VADBe hedge, so when the market goes up we have to settle the hedge and it's a cost. That's roughly \$230 million. Then in addition in that line,

there is also around \$355 million relative to the pension contribution. The numbers I quoted impact the full year and both of those items also impact the quarter to a lesser extent. .

Josh Raskin:

I understand. I'm just trying to figure out subsidiary cash flow generation on a consolidated basis because ultimately that's going to drive dividends to the parent.

Anmarie Hagan (Chief Financial Officer):

That's right and I would look at it as we always have. Just for illustrative purposes, we make about a billion dollars a year and generally 75% to 80% is available for dividending up to the parent. As you'll remember, this year there was a slight pressure as it related to VADBe. We've talked about \$540 million worth of dividends this year just -increased as a result of this change of \$75 million by another \$20 million . We have articulated previously that in 2009 for VADBe we had to keep dividends back in the subsidiary of approximately \$350 million.

If you focus on the income generated from the businesses and the continued pattern of dividends that we've demonstrated, that's really why I focus on parent company cash.

Justin Lake (UBS):

First, just wanted to go over some of the specific assumptions around membership. Can you give us what you think looking forward for January 1 as far as membership and then maybe spike out the benefit from some of the individual and small group initiatives and rollouts. Finally what are you thinking on the economy and unemployment? What's baked in there for 2010 as far as in group attrition going forward?

David Cordani (President and COO):

I'll provide you a few of the headlines and again we intend to walk through this in a good amount of detail in a couple weeks with you at Investor Day. Broadly speaking, number one, for 2010 as we indicated in our prepared remarks we expect overall stable membership. You should think about that as being in pattern throughout the course of the year. So indicating a stable result for January 1 and staying in pattern throughout the course of the year.

By way of the major moving parts, we would expect a strong result in our middle market and to remind you we define that more broadly than our competition, commercial employers, 250 to 5,000 lives and, very importantly, large single site employees. So continued strong performance there, both retention and new business adds. Secondly, what we call the select segment, the 51 to 250 life employer segment. We expect to see significant improvement from 2009 to 2010 resulting in a stable result for that line of business, offset by declines in the national accounts base which we define very narrowly as commercial employees, multi-state commercial employers over 5,000 lives.

As it relates to contribution of individual in 2010 versus 2009, think about it in order of magnitude of 40 basis points of net membership growth overall. Remember, we started from a small base coming into 2009. We'll grow that in the neighborhood of 35,000 to 40,000 lives and then think about that growing another 30 or 40 basis points more in 2010. So we like the trajectory, but it is not the sole driver.

Lastly, on your question of disenrollment underlying our expectations. We expect the unemployment rate will not improve dramatically from where we will end this year nor will it accelerate at the rate we saw through 2009. From a disenrollment standpoint, our expectation is that we will revert closer to historic

disenrollment levels. So the point is, unemployment will not continue to erode like it did in 2009 going from 5% to 10% so therefore we don't expect it to go from 10% to 15% in 2010.

Justin Lake:

On 2010 operating efficiencies, you threw out that \$150 million number. Is that the benefit year-over-year? So that's incremental lower operating costs 2009 to 2010?

Annamarie Hagan (Chief Financial Officer):

The \$150 million that we talked about was the specific result of the various actions we've taken in 2009. So you'll recall we took a large action in the fourth quarter 2008, another one in the second and another in the third quarter of this year. The aggregation of these actions was \$150 million,,. A large portion of this will be realized in 2009 and then maybe a smaller portion, approximately one-third of it would come through in 2010.

Justin Lake:

So if I think of operating expenses in 2010, you have that \$50 million and then there is a benefit from the lower amortization?

Annamarie Hagan (Chief Financial Officer):

That's fair when you say lower amortization relative to transformation. First of all, let me tell you we're going to give you a lot more information in a couple of weeks. But relative to the lower transformation amortization, as we've mentioned many times, we have continued to invest in our technology portfolio. So there is a little bit of new amortization coming in too. I wouldn't necessarily count that as a net/net at the end of the day reduction to the magnitude you're thinking. Justin, be sure that David and I will go through significant detail on our expectations relative to cost reduction initiatives that are expected in 2010 in a couple of weeks.

Christine Arnold (Cowen and Company):

Could you give us a sense for what you're seeing in the experience rated book? Are you seeing disenrollment going into next year and also what is your expectation for stop-loss? Do we have more cost savings on Great West or do we expect this modest cost pressure and lower revenue to impact next year?

David Cordani (President and COO):

Overall, for the experience rated book, as you very well know, it is a very targeted funding mechanism for a subset of the middle market. We would expect overall, our experience rated results in 2010 from a volume standpoint to be favorable versus the trajectory that we had in 2009. The disenrollment pattern specific to the experience rated portfolio has a similar disenrollment pattern in terms of in group attrition as a normal middle market ASO customer would have as well. We would expect to see some improvement in our experience rated book of business as we have some targeted growth initiatives there.

As we indicated in our prepared remarks we expect to achieve the vast majority of our total medical cost improvement for the Great West stop-loss portfolio business by the end of this year. So there is a little run rate contribution going into 2010, as we were fixated on making sure that we drove the total cumulative medical cost improvement during the course of 2009 which is in part why we're seeing the

improvement in the second half of 2009 in our select book of business and expect to see that continue in 2010 because we have been able to improve the overall price point and total medical cost for those customers as well.

Christine Arnold:

On capital deployment, if you're going to have something like \$800 million coming through at the parent next year how do you think about immunizing some of these Run-off businesses, the GMIB and VADBe, fully capitalizing them, separating them from the rest of your businesses versus share repurchase and other use of the capital?

Annamarie Hagan (Chief Financial Officer):

Interesting how you got right to the \$800 million for next year, but that was just order of magnitude so I wouldn't take that the bank just yet. We'll comment on that further at Investor Day. Relative to how we think about it though, we continue to go back to our normal capital deployment strategy. First, invest in our businesses, second look for M&A activity and then finally, if nothing is available there we then look at repurchase.

Specifically as it relates to VADBe and GMIB, rest assured that every day that we wake up in the morning we think about how we could further insulate those from the rest of our businesses. To date, we have not been able to find the perfect answer, but I'd also note that VADBe, with the equity markets being stable, has been a non-event for a couple of quarters and the same for GMIB. The economics remain in line with our expectations.

I would just say that from a capital perspective we are looking again at all three of those items and our capital management strategy has not changed.

Peter Costa (FTN Capital):

First, your Medicare Advantage pricing looked a little more aggressive this year than it has in the past for 2010. Is that intentional and if it is, what are you doing to you now train brokers or people to sell that more aggressively? The second question, can you comment on Senator Rockefeller's letter to you guys and what you're doing about the differences in filing?

David Cordani (President and COO):

I think your question is going specifically to Part D. So I'm going to address Part D specifically. Going into 2010 our pricing strategy was to position the Part D book of business to balance growth and profitability. We were not seeking to grow the book of business at the cost of profitability. Success for that portfolio, as you very well know, is trying to thread the needle, if you will, in terms of getting a price point so you qualify at a minimum in 50% or greater of the regions that you're targeting.

Going into 2010 we achieved a good price point within the regions qualifying in just over 20 of the regions and on an overall basis we feel good about the pricing which reflects improving administrative efficiencies and very importantly for us, leveraging of our captive PBM and contribution of that into the Part D line of business through aggressive and effective leveraging of generics and other clinical programs.

Overall as we look at 2010, the pricing strategy we sought to employ is to balance growth and profitability and feel quite good around our positioning as we step into the year.

Ed Hanway (Chairman and CEO):

On Senator Rockefeller's ongoing investigation on the small group market, we continue to work very proactively with the senator. I would remind you, the small group block of business is very small for us, less than half a percent of our total membership.

Having said, that we are working very closely with him. We have furnished significant information to him and we will be working through the questions he and his staff have about any inconsistencies between statutory state filings and information that he's seen pretty aggressively over the next several weeks. Again, this is an extremely small part of our book of business and if there is any confusion relative to information that exists on it, we'll clear that up with the Senator's committee.

Peter Costa:

My question at the beginning though was more about Medicare Advantage when you look at senior cost sharing. It does look a little more aggressively priced than you have in the past. It's not just on Part D. It was there, as well, but it seems like a more aggressive posturing for Medicare Advantage?

David Cordani (President and COO):

If you go to the non-Part D Medicare Advantage, as you very well know, there is two blocks of business for us. There is a network-based solution and there is private fee for service solution. If you go to the network based solution the one item I would remind you is the single market that we utilize that product in is Arizona where we have a multi-line medical delivery infrastructure that is captive to CIGNA. So we have a cost of goods sold that we're able to manage relative to that and overall it's small. It's measured in tens of thousands of members and not hundreds of thousands. Similarly, on a private fee for service basis we have a very small portfolio which seeks to target solutions on a pinpoint basis for key employers today.

Overall, both private fee for service and network are very small to us and the network-based solution is only existent in Arizona where we own a captive delivery infrastructure which is the primary medical delivery structure for that product.

Charles Boorady (Citigroup):

I'd love to hear your thoughts long-term on M&A. A lot of uncertainty in health care reform, but Medicaid seems very likely to be a fast growth driver. Specifically, is that a customer end market that you think you could expand in or you want to expand in? And if so organically or through acquisition? And any other color on long-term M&A thoughts?

Ed Hanway (Chairman and CEO):

Our view of M&A or our focus has really changed dramatically. I think we've said consistently that we're open to M&A to the extent that something would be particularly strategic for us, add capability or add scale in markets that were attractive to us. I think that was reflected with the Great West acquisition that we viewed as being both very strategic and also hitting the second criteria we have which is whether it is going to be effective from a shareholder perspective.

I would say we are open to considering things like that. Clearly as it relates to the individual business, I think we need to understand what reform is going to do and what David pointed out earlier is that our investments there are on an organic basis and are designed to help us learn and to help us get some capability that we can deploy ourselves. If that particular area of the business looked like a stronger

opportunity post-reform, I think that's an area that we would be attentive to. I agree with your observations relative to Medicaid. However, having said that, I think that would be lower on our list of things that we might ultimately consider at least at this point in time.

So really our philosophy hasn't changed, Charles, from what we've talked about for years which is if it's strategic, can add some scale, could bring some line extension into areas that we think is important that's what we would consider.

Charles Boorady:

If I could ask a follow on to that regarding reform playing out – what key success factors may change in the industry and how are you positioned relative to them? For example, high local market share is something CIGNA has not possessed, but you've been able to do OK because you've been in the top quartile in key markets.

Is the scale going to become a lot more important? Will that increase the necessity to boost your local market share? Any of those kind of observations you could share with us as you think though the future of how CIGNA will look in 3 to 5 years from now?

Ed Hanway (Chairman and CEO):

I think those are some of the things that we're going to cover in a lot of detail at Investor Day in a couple of weeks. I am going to let David comment on the scale and focus issue here in a minute to follow-up from some of his prepared remarks.

What I would say as an overview is as we look at reform, we're considering a number of things. One as it relates to the individual market, what will the dynamics be there and what will that mean for areas that we have targeted and are actually seeing some good early success. So what will change there? Will the underwriting processes and the infrastructure required change and what will that do to our assessment of the attractiveness of that business? I think the other area that we'll watch very carefully is seniors. That's an area where as David just mentioned from Medicare standpoint we have a very modest presence today. The demographics in that group suggests that it's going to continue to grow and I do believe ultimately that a public/private partnership is the best way to meet the needs of those folks.

But, we'll have to wait and see as this plays out just how good a partner the government is likely to be or desirous of being to determine whether or not we get aggressive there. Relative to our broader business, I think we feel very good about the networks that we have today and about the opportunities that we have in concentrated markets.

That's a core part of our strategy David just referred to. I'm going to let him comment specifically on that piece.

David Cordani (President and COO):

Your broad question relative to the basis of competition. It will always come back to value, right - the buyer's perception of quality in relationship to price. Local share will indeed be important and, as you very well know, you can go through some examples of legislative reform where share could either be more important or potentially commoditized going the other way from a reimbursement standpoint. So you'll hear from us at Investor Day - share and focus in geographic markets that is important and you'll see that as we're driving traction within our business portfolio. Some of the traction in the middle market is directly correlated to local share. A second piece I would highlight, is under both any form of reform as well as just emerging market conditions the ability to use information effectively at the individual level and then in correlation with their physician is increasingly becoming more and more important by the day.

That is an important part of our business strategy and then being able to use that in coordination with whatever health advocacy or health coordination programs that are being implemented. So those are critical parts of our business strategy as we look forward and monitor health care reform. And we're excited to walk through that in a lot of depth in a couple of weeks at Investor Day.

Kevin Fischbeck (Bank of America):

On the implied Q4 guidance of \$0.84 to \$1.04 earnings per share. It's a pretty wide range and the health care income range is also pretty wide. I wanted to get your thoughts on exactly what will get you towards the higher end of that range, what would get you towards the lower end of that range and why a broader range going into Q4 than what you had last year?

Annmarie Hagan (Chief Financial Officer):

Relative to the Q4 I think that the reason that the range is a bit broad is because of the uncertain times that we're in. We believe we've put an appropriate amount in there relative to the impact of H1N1 and the flu but it is a wild card. There is a lack of certainty as to what that really is going to play out to be. So I think less impact of flu brings us to the upper end of the range and more impact brings us more to the mid-point or so.

Relative to our other businesses, the range is pretty tight there and wouldn't expect any big surprises to move us one-way or the other off those ranges.

Kevin Fischbeck:

Can you talk a little bit more about the pricing environment in the ASO business sector? One of your competitors talked about people looking at the short-term costs. Some of your commentary earlier was helpful but we'd love to hear a little bit more about how you're keeping your existing customers or do you still find that there is the same type of adoption and acceptance of the value add that you have or is that a tougher sale in this environment?

I wanted to reconcile the relatively positive comments earlier with the comments also about how some of your lean benefit design products are really picking up in this economy. It seems strange that you'd be seeing both sides of that happening.

David Cordani (President and COO):

So the pricing environment first, to frame it as I indicated in my prepared remarks remains competitive. There is no doubt there is a competitive environment and we have demonstrated commitment to our underwriting discipline. In that environment, one thing we're pleased about in 2009 and will be pleased about stepping into 2010 broadly speaking are that our current retention rates are strong. That's a critical indicator of whether or not we're delivering value to our existing customers. So broadly speaking the retention rates are strong.

As it relates to the first point you highlight, which is the difference between more price sensitive buyers versus an aspect of our strategy correlating to bringing some of the value based programs to the market. Where we have seen the greatest success for new business growth is either for employers who, outside of the select segment, so for middle market and national employers who are pursuing and purchasing health engagement, consumer directed incentive based capabilities and/or a multi-product line purchase. When either of those play out, there is a significant number of additional programs to create value for those employers and their employees as well as profit leverage for us to balance the overall portfolio.

These are our target areas and it's where we've seen the majority of our success. As it relates to your correlation on leaner benefits as you step down market in the select segment specifically, so for those 250 live employers down to 50 life employers, that market place over the last 18 months has moved at an accelerated level to leaner benefits and to target benefits on a very specific basis. Year ago we indicated that we were a little slow relative to recognizing that. We've accelerated our progress there and we've seen good traction in terms of both retention as well as emerging new business growth for that segment relative to leaner benefits.

Last piece I would highlight is don't misconstrue leaner benefits with lack of prevention, wellness, et cetera. Corridor benefit strategy, even in that segment, is to make sure you have the right prevention, wellness programs highly incented because our value proposition and employers see that's a core part of any program. And then you have increasing cost sharing and decision points as you get more toward preference sensitive care. Hope that helps a bit.

Carl McDonald (Oppenheimer):

I just wanted to clarify the response on the experience rated enrollment. When you say favorable to 2009, does that mean up on an absolute basis or just not shrinking as much as down 10% for this year?

David Cordani (President and COO):

We will walk through that in more detail at Investor Day, but you should conclude the pattern from 2009 improving. I don't want to go into specific guidance for 2010 relative to the absolute performance. Just look at it as at a minimum, improving from the 2009 trajectory and we'll provide more color at Investor Day.

Carl McDonald:

And just across the book, any metrics you can provide on January 1 account wins that you know of already?

David Cordani (President and COO):

Well, Carl, we clearly have some pretty good insights into January 1 so let me just give you a little bit of color but again we want to go into this in good detail at Investor Day. One, for the middle market which is the largest portion of our overall portfolio, retention will be strong. New business growth will be strong as I indicated earlier both for what you would think of as more core middle market, 250 to 5,000 life employers and very importantly pin pointed to some questions we had before around geographic that large single site employers which are critical to our business strategy so we feel good about that.

Secondly, in the national account segment, overall our new business wins were actually quite strong this year on a relative basis. And very importantly our new business wins correlated very significantly to those employers that were either buying CDHP, engagement incentive based programs or multiple lines of business.

And they tend to be employers more in the 20, to 50, thousand life range than the 150 to 250,000 life range which again fits in with our value proposition. It provides a little color to you and again we will peel that onion back pretty significantly at Investor Day in a couple of weeks.

David Cordani (President and COO):

In closing, I'd like to emphasize just five key points from today's call. First, our third quarter consolidated results reflect solid earnings contributions from each of our ongoing operations. Second, ongoing reduction to our operating costs is a key strategic priority. We've made good progress and we remain committed to the execution of our multiyear expense strategy.

Third, our capital position and balance sheet are strong and our investment portfolio continues to produce good results. Fourth, regarding health care reform, we remain active in the debate and continue to be focused on developing sustainable reform for our health care system - reform that improves access and quality while reducing costs.

Finally, our 2010 earnings outlook reflects competitively attractive earnings growth in a tough economic environment which is driven by the strength of our diversified portfolio of businesses.

We thank everybody for joining today's call and look forward to seeing you at Investor Day.

END