

CIGNA CORPORATION
FOURTH QUARTER 2009 INVESTOR TELECONFERENCE
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**DAVID M. CORDANI – PRESIDENT AND
CHIEF EXECUTIVE OFFICER**

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

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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 Corporation and its subsidiaries (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 initiatives in the health care operations, and the outlook for the Company’s full year 2010 and beyond 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) growth in targeted geographies, product lines, buying segments and distribution channels, (ii) offering products that meet emerging market needs, (iii) strengthening underwriting and pricing effectiveness, (iv) strengthening medical cost and medical membership results, (v) delivering quality member and provider service using effective technology solutions, (vi) lowering administrative costs and (vii) 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, including disputes related to payments to providers, 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 Healthcare'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'm Ted Detrick, Vice President of Investor Relations. With me this morning are David Cordani, our President and Chief Executive Officer, and Annmarie Hagan, CIGNA's Chief Financial Officer.

In our remarks today, David will begin by discussing the highlights of CIGNA's 2009 results. He will also provide his perspective on the marketplace as we head into 2010. He will also comment briefly on health care reform.

Then Annmarie will provide a detailed review of the financial results for the year and discuss the 2010 financial outlook. She will also provide an update on our achievements and expectations related to our expense reduction and capital management goals. And lastly, she will share some early indications on how our January 1 business is developing.

David will then conclude with a discussion of CIGNA's growth strategy before we open the lines for your questions.

As noted in our earnings release this morning, CIGNA uses certain non-GAAP financial measures when describing its financial results. A reconciliation of these measures to 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 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 David, I will cover a few items pertaining to our fourth quarter results. Regarding our results, I would note that in the quarter we recorded an after-tax charge of \$13 million 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 in today's discussion of both our 2009 results and our 2010 outlook.

Relative to our Run-off Reinsurance operations, our fourth quarter shareholders' net income included after-tax income of \$60 million, or 22 cents 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 measuring guidance on our GMIB results is for GAAP accounting purposes only. We continue to believe that the application of this guidance does not represent management's expectations of the ultimate liability payout. Because of the application of this accounting guidance, CIGNA's future 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 shareholders' net income. CIGNA's 2010 earnings outlook, which we will discuss in a few moments, excludes the results of the GMIB business and therefore any potential volatility related to the prospective application of this accounting guidance.

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

David Cordani (President and Chief Executive Officer):

Thanks Ted. Good morning, everyone. Before Annmarie reviews our results and outlook, I'm going to give you a brief update and overview of 2009 and why, despite the economic turbulence, we have delivered very good results.

I'll cover market highlights, our points of focus and why we're winning in the market. Then I'll share some brief comments on health care reform. And later in my closing comments I'll discuss highlights of our strategy and related actions.

Let's get started with the results from last year. As we reflect on 2009, it is clear that the global economic decline, the competitive environment, as well as the uncertain political landscape combined to make it a very challenging year for our company and the industry overall.

With that as a backdrop, we believe our 2009 results represent a good outcome, both in absolute terms as well as from a competitive perspective. For full year 2009 we delivered earnings per share of \$3.98 on adjusted income from operations of approximately \$1.1 billion, which represents year-over-year earnings growth of 16%.

This result reflects solid earnings in each of our ongoing businesses, our Health Care, Group Disability and Life, and International operations. In addition, our Run-off Reinsurance results improved significantly due to stabilization in the capital markets.

In 2009, we delivered on our capital management goals by restoring our subsidiary capital to targeted levels, significantly building our parent company cash and, as expected, making a meaningful contribution to our pension plan. Relative to operating expenses, we made good progress on 2009 by driving \$100 million in reductions in our HealthCare operating expenses.

Remember, as I've said before, reducing expenses is an integral part of our growth strategy, not a one-time initiative. To underscore this, looking to 2010 and beyond we've already identified actions to further drive operating efficiencies.

So how were we able to post solid financial and operational results for 2009? Well, by executing on the fundamentals and delivering attractive value for our customers. Our results reflect a clear focus on improving the health, well-being and sense of security of our customers, which has a positive impact on productivity and performance, while lowering costs for all involved.

We are winning in the marketplace through consistent and effective service delivery, differentiated clinical and productivity programs, and consultative selling.

I'll now provide some additional color on our service model, a model that continues to be a competitive strength for us.

In 2009, we became the first and only major health service company in the U.S. that is open 24/7 for the convenience of our customers and physician partners. Recently, our Health Care operation was recognized for customer satisfaction excellence for the fourth consecutive year by J.D. Power and Associates for unique distinction in our industry.

In China, CIGNA was named, for the second consecutive year, as the "Best Foreign Life Insurance Company." In addition, we earned the distinction as one of the "Ten Most Trusted Life Insurance Companies in China." This recognition reinforces the strength of our current global position.

In addition to our administrative services, we serve our clients and customers by providing market leading clinical quality. For our self-insurance clients, we continue to deliver leading clinical programs while effectively managing their medical costs. We believe sustainable cost savings are only achievable through health improvement and reducing the risk factors that drive illness, injury and disease.

At CIGNA, we have a broad portfolio of capabilities to achieve health improvement, including risk identification, lifestyle and wellness programs, incentives, coaching and engagement services. By integrating our health and productivity solutions, we help our customers live better and healthier lives, and we have the proof points to support our value proposition.

One example is our fourth annual Choice Fund Study, covering over 650,000 CIGNA customers. This study demonstrates that medical costs for individuals in account-based consumer directed health plans were 26% lower than traditional programs over a 4-year period, while the levels of engagement in health care improved.

Specifically, these individuals experienced preventative medicine, chronic disease management and evidence-based treatments that were better than their counterparts in traditional health plans. These powerful results demonstrate that when we design the right programs, provide incentives and support for people to engage, health care quality goes up and costs go down.

In our Disability operations, the effective use of information coupled with a broad and diverse clinical team has driven another strong year of results for our customers. Our disability management model continues to demonstrate competitively strong value for our clients by helping their employees get back to work sooner than the competition.

Turning to 2010, I'll now shift gears to discuss our view of the market landscape and customer needs. To be clear, we expect the economic environment to remain challenging in the U.S. Against that backdrop we are seeing customers and clients looking more aggressively than ever at opportunities to improve health and drive better employee productivity and to improve costs.

Relative to the pricing environment, we expect it to remain competitive. And in this environment our approach is to continue to maintain pricing and underwriting discipline. In the market our health care message and solutions are resonating very well with clients and prospects for the 2010 sales cycle.

Our programs, products and services are value-based, effectively leveraging incentives and engagement of individuals to improve their health, productivity and performance. Our approach is to listen to our customers, take that opportunity to understand them, and then use that understanding to drive active participation with our customers and their physicians to effectively manage their health.

As I noted earlier, we have proven that this approach leads to lower health risk, improved health and, as a result, lower costs and higher productivity. This message is resonating well with our Middle Market segment and with value buyers in the National segment.

For our Select segment, which is very price sensitive, we are seeing good demand for our product portfolio, which includes leaner benefit offerings as well as our unique ASO offerings.

In Group Insurance, we continue to see strong demand for our disability management solutions. Why? Because of our focus on improving productivity for our clients which is enabled by our industry-leading return-to-work rates.

The three key components of our best-in-class disability management model are our effective early claim notification and engagement, our broad clinical and return-to-work resources and our ability to provide specialized case management services, all focused on helping our individual customers recover and return to work, a clear benefit to the individual as well as to our employer clients.

Outside the U.S., we are seeing the economic environment begin to improve in key Asian countries where we operate. The growing middle class in these countries is looking for income protection and replacement products that will provide coverage for gaps in their national health and savings plans. Our products are effectively designed to fill these gaps and provide a sense of security to our customers. We see attractive retention rates and strong sales for early 2010.

Now relative to U.S. health care reform, we continue to be active in the debate, engaging with congressional leaders in fact-based sustainable reform positions. We remain steadfast in our belief that we need to address three fundamental issues, specifically access, quality and cost to improve our health care system in a sustainable way.

We believe that every American should have access to affordable health care through continued development of health advocacy programs, as well as cost management and wellness initiatives. While the ultimate outcome of U.S. health care reform is uncertain, we believe the market landscape and customer needs that I just discussed will continue to create attractive opportunities for CIGNA.

We believe our broad portfolio of service-related programs focused on health and productivity and our focused growth strategy match up very well with the current and emerging market needs. So for 2010 we continue to expect competitively attractive earnings growth from our ongoing businesses.

Our team is excited about our 2010 outlook and is fully committed to delivering superior value for our customers and, as a result, strong returns for you, our shareholders, and I am confident that we'll be able to achieve our full year 2010 financial and operational goals.

I'll now turn the call over to Annmarie.

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

Thanks, David. Good morning everyone. In my remarks today, I will review CIGNA's 2009 results. I will also discuss our outlook for full year 2010, including some early insights into our January 1 membership.

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 provide our earnings outlook.

Our full year consolidated earnings were \$1.1 billion, or \$3.98 per share, compared to \$946 million, or \$3.39 per share, in 2008. Full year consolidated results increased 16% versus 2008, primarily due to improved results in our Run-off Reinsurance businesses. Full year earnings for our three ongoing businesses were modestly above 2008 and represent a solid result given the challenging economic, political and competitive environment.

I will now review each of the segment results, beginning with HealthCare. Full year 2009 HealthCare earnings were \$729 million. This result primarily reflects favorable operating expenses and continued solid contributions from our specialty businesses, partially offset by a higher reported guaranteed cost loss ratio and medical membership declines primarily related to disenrollment.

For full year 2009, HealthCare membership declined 5.5% versus year-end 2008. This result was primarily due to lower enrollment from existing customers and lower covered lives on new business sales, both resulting from elevated unemployment levels. Our full year guaranteed cost Medical Care Ratio, or MCR, was 85.5% excluding our voluntary business. This result was in line with our expectations as of the third quarter.

On a fully developed basis, the 2009 MCR represents a flat year-over-year result, reflecting rate increases offset by higher flu-related claims, including H1N1. For the full year, the impact of flu-related claims, including H1N1, contributed approximately 50 basis points to the MCR, or \$11 million after-tax. This result was modestly better than expected.

Including our voluntary business, our full year MCR was 83.9%. This is the basis on which we will discuss our MCR results beginning with our 2010 reporting. Overall, the full year experience-rated earnings increased 7% versus 2008 and were modestly better than our expectations.

ASO earnings were higher year-over-year, driven by favorable operating expenses and sustained contributions from our specialty businesses, including strong results from our overall stop loss book of business.

Specific to the former Great West stop loss book of business, we achieved our total medical cost improvement initiative as planned for 2009. For our total book of business we completed the year with a medical cost trend of 8%, which was in line with our expectations.

Now, I'll discuss the results of our other segments.

Full year 2009 earnings in our Group Disability and Life segment were \$279 million, a modest year-over-year increase. This result reflects favorable accident and disability claims experience along with continued delivery of competitively attractive margins driven by the value we provide to our customers through our disability management program.

In our International segment, full year 2009 earnings were \$182 million. While lower than 2008, this reflects a solid result in challenging economic times. Specifically, 2009 earnings reflect unfavorable claims experience, primarily within the expatriate benefits business, lower than expected new sales and foreign exchange losses.

This segment continues to deliver competitively strong margins, and we are pleased with the long-term growth prospects for this business. Overall, the diversification of earnings from our Health Care, Group and International businesses continue to be key to our go-forward global growth strategy.

Earnings for our remaining operations, including Run-off Reinsurance, Other Operations and Corporate totaled to a loss of \$93 million for the year, compared to a loss of \$232 million in 2008. This reflects a significant improvement in our VADBe business due to more favorable market conditions. This was driven by the favorable aspects of a more stable equity market and an improved interest rate environment.

I would note that no VADBe reserve strengthening was required since the first quarter of 2009. Overall, we had solid results in 2009 on a competitive and an absolute basis, which provides us with a strong jump-off for 2010.

Now, turning to our investment portfolio. Our portfolio continued to perform well in 2009, with full year net realized losses of \$26 million after-tax. We view this as a strong result given the environment. This full year result includes a fourth quarter impairment charge of \$10 million after-tax related to four loans in our commercial mortgage loan portfolio.

We ended 2009 with problem loans of \$158 million, or 4% of the total loan portfolio. Potential problem loans totaled \$239 million at year-end, or less than 7% of our total loan portfolio. All of these loans continued to meet their contractual cash flow obligations. For the total loan portfolio the loan-to-value ratio was 77% at December 31, which was consistent with the previous quarter.

While we recognize continued exposure in the real estate market, we believe our portfolio of 180 individually underwritten loans is of high quality with significant borrower equity support. The portfolio is well-diversified by property type, geographic location and borrower. Overall, we continue to believe our problem investment exposure is manageable, and we are pleased with the results in a challenging environment.

With that as backdrop, I will now review our 2010 full year outlook. Our full year 2010 earnings outlook has not changed from our previous expectations. For full year 2010 we continue to expect consolidated adjusted income from operations of \$1.05 billion to \$1.15 billion. We also continue to expect full year EPS in a range of \$3.75 to \$4.15 per share.

With respect to our VADBe book of business, we expect results to be breakeven in 2010 as we believe our reserves at year-end 2009 are appropriate. Our consolidated outlook also assumes no changes to the business model related to potential health care reform. In addition, this earnings per share outlook does not include any potential impact from share repurchase.

I will now discuss the components of our 2010 outlook starting with Health Care. We expect full year Health Care earnings in a range of \$720 million to \$790 million, which is consistent with our previous outlook.

We expect 2010 earnings growth in Health Care to be driven primarily by lower operating expenses and higher specialty results, partially offset by lower year-over-year member months. We expect a quarterly earnings pattern similar to that which we experienced in 2009. Specifically, we expect earnings to ramp up during the year due primarily to our Medicare Part D business.

Relative to our 2010 membership outlook, we continue to expect it to be stable, excluding the growth in our Individual Private Fee for Service business. With that, I will comment on the net membership growth from our Medicare Private Fee for Service products.

We now expect to grow the Individual Private Fee for Service membership by approximately 80,000 to 90,000 lives for 2010, which is approximately 70 to 80 basis points higher than our year-end 2009 total membership.

While we planned for 2010 growth to better leverage the fixed costs required to support this business, the rate of growth in the first quarter was higher than we anticipated. As such, we closed enrollment to ensure that we deliver effective and consistent service levels. Although the business was priced with an expected margin, we have assumed a breakeven result for this business in our 2010 outlook given the inherent volatility in this product line.

Lastly, we have reflected the capital requirements for this membership growth within our updated 2010 capital outlook, which is better than previously expected. I'll provide you more insights into our overall capital position in a few moments.

So in summary, we expect Individual Private Fee for Service membership to add 70 to 80 basis points to our outlook of stable, resulting in an updated full year membership outlook of minus 1% to plus 2%.

Now, returning to our Health Care outlook. Relative to our guaranteed cost book of business, we continue to expect our full year MCR, including voluntary, to be in the range of 83.5% to 84.5%, which is comparable with the 2009 result.

For our total book of business, we continue to expect full year medical cost trend in the 8% to 9% range. I would also remind you that we have and will continue to maintain our pricing and underwriting discipline across our product offerings.

Now moving to our Group Disability and Life, and International operations, we expect these businesses to contribute full year 2010 earnings of \$465 million to \$495 million, which reflects solid earnings contributions. These two businesses consistently deliver competitively strong margins, and we continue to see good demand for their products and services.

I would also remind you that our 2010 earnings outlook for Group Insurance reflects an expectation that the favorable impact of approximately \$15 million after-tax from the 2009 life and accident reserve studies will not repeat in 2010. In addition, our 2010 earnings outlook includes the impact of strategic investments to position our disability business for further growth.

Regarding the International business, early indicators for 2010 reflect strong persistency and renewal rate execution results as well as strong new sales growth. Additionally, we expect our foreign exchange position to improve over 2009. Each of these is important contributors to our 2010 earnings growth.

In aggregate, the remaining operations other than Health Care, are expected to generate earnings of approximately \$330 million to \$360 million for the full year 2010. So all in, we continue to expect consolidated EPS to be in a range of \$3.75 to \$4.15 per share.

Now I'd like to provide a brief update on our efforts regarding our operating expenses.

We remain committed to reducing our operating expense gap and to making meaningful progress in closing our competitive gap. This is one of our top enterprise priorities and also a critical component of our business strategy. We made significant progress in 2009 reducing our Health Care operating expenses by approximately \$100 million pre-tax compared to our pro forma 2008 expense fees. In addition, we recorded an after-tax cost reduction charge of \$13 million in the fourth quarter, which was primarily related to our Health Care business. These actions reflect continued progress towards our targeted pre-tax expense savings of \$55 million in 2010 and the additional \$150 million to \$200 million in expense savings over 2011 and 2012. We are committed to driving these reductions while continuing to maintain strong clinical and service delivery, and prudently investing in technology in support of our business strategy.

Now let's turn to an update on our capital management position and outlook, including a summary of our subsidiary capital and our parent company liquidity.

Overall, we continue to have a strong balance sheet and good financial flexibility. We achieved our 2009 capital management goals and ended 2009 in a better position than we previously expected. Specifically, we restored our subsidiary capital to the targeted surplus levels. We contributed \$410 million pre-tax to our pension plan in 2009. We estimate that our unfunded pension liability as of December 30 is now approximately \$1.5 billion, or \$350 million lower than the year-end 2008 balance, and \$200 million better than what we projected at our Investor Day. This primarily reflects strong investment returns during the fourth quarter of 2009.

We ended the year with cash and short-term investments at the parent of approximately \$475 million. This includes outstanding commercial paper borrowing of \$100 million. Our parent company cash position at year-end 2009 is approximately \$125 million higher than our previous expectations. Approximately \$25 million of this improvement is temporary and is expected to reverse in 2010, while the remaining \$100 million is available as part of our normal capital deployment strategy.

In addition, our debt-to-cap ratio continues to improve and was 29.6% at year-end 2009, which was within our target range of 25 to 30%. This is compared to 33.7% at year-end 2008.

Regarding our capital management outlook for 2010, our expectations for subsidiary dividends, the impact of pension plan funding and other net uses of cash are consistent with our previous outlook. Specifically, we expect full year dividends of \$1 billion. We expect to retire our commercial paper balance of \$100 million. We expect the full year net after-tax impact of the pension plan funding to be a net use of \$150 million, and we expect full year other net uses of \$275 million. Factoring in all of these components, we now expect to end 2010 with parent company cash of approximately \$950 million, which is \$100 million higher than our view on Investor Day.

Compared to our target of maintaining \$300 million of cash at parent, this outlook implies that we would have approximately \$650 million available for capital deployment in 2010. I would remind you that our capital deployment strategy has not changed. This strategy prioritizes the use of capital resources to, first, provide capital necessary to support growth and maintain or improve the financial strength ratings of our subsidiaries, then consider M&A activity, and finally, return capital to our investors through share repurchase. Overall, our capital outlook for 2010 remains quite positive.

Regarding our 2010 membership outlook, I will now provide some leading indicators based on insights for the January 1 renewal cycle. My discussion of January membership will exclude the Individual Private Fee for Service membership which I commented on earlier.

Based on results to date, we expect net commercial membership growth for January 1 to be at the high end of our previously communicated full year outlook of stable--that is, plus or minus 1%. Our January 1 results are consistent with our focus on first retaining, then expanding, and finally growing our customer relationship in targeted customer segments and geographies.

For the Middle Market, we expect January 1 growth in the mid-single digit range. This reflects strong retention and new sales with very strong results in targeted markets. Our new sales include several large single site customers that our competitors traditionally consider National Accounts. These customers purchased ASO and specialty lines of business and will strengthen our local networks.

In the Select segment, net membership growth for January 1 is in the low single-digit range, which is higher than our previous expectation of a stable result, largely driven by stronger retention rates. We have seen success with the leaner benefit plans we rolled out to the market last year and good sales in the 12 markets we had targeted for growth.

For National Accounts, membership for January 1 is expected to decline by mid-single digits, which is consistent with our expectations. Our go-forward strategy in this segment is to focus on the value buyer.

January 1 new sales are in line with our expectations and primarily consist of National Accounts with case sizes in the range of 15,000 to 40,000 lives that are regionally concentrated and buyers of ASO packaged with our specialty offerings.

Our Disability and International operations also had a strong January 1, with retention and new business results in line with our expectations. We are making notable traction on our cross-sell initiatives, including expanding our specialty penetration into health care customers with valued products such as disability.

The Life, Accident and Health sales in targeted countries have been strong, and persistency has improved compared to 2009 in our International businesses. And for the Expatriate business, our case retention is in line with expectations and our pipeline and close ratios are up.

Now to recap, our full year 2009 consolidated results reflect solid earnings from our ongoing businesses. We ended the year with a strong fourth quarter result, which positions us well for a jump-off point into 2010.

We also made significant progress in 2009 to reduce our Health Care operating expenses and are on track to achieve meaningful expense reduction over the next three years. Our current capital outlook is quite strong, and our investment portfolio is of high quality and our problem loan exposures continue to be manageable.

Our early insight into January 1 business is positive and the results are aligned with our growth strategy. And finally, we are confident in our ability to achieve our full year 2010 earnings outlook, which represents competitively attractive earnings growth.

With that, I'll now turn it back to David.

David Cordani (President and Chief Executive Officer):

Thanks, Annmarie. As you just heard, our 2009 results reflect solid contributions from our ongoing businesses, with fourth quarter results positioning us well for 2010. Our 2010 financial outlook is aligned with our strategy, and early indicators relative to execution are positive and our 2010 capital outlook is strong.

Now, I'll briefly highlight some of the key actions and points of focus we are driving to deliver these results and position CIGNA for 2011 and beyond.

As a backdrop, let me remind you of our mission and destination. Our mission remains unchanged. We are focused on helping the people we serve improve their health, well-being and sense of security. Every decision, product and service supports this mission. Our destination over the next 3 to 5 years is to be a

global health service company that wins based on knowledge of our customers and distribution partners, differentiated service and products, and distribution excellence.

As we discussed in length at our Investor Day in November, our growth strategy is to play to our strengths, deliver differentiated value for our customers and, as a result, attractive and profitable growth. It's best described by, Go Deep, Go Global and Go Individual.

Go Deep refers to our focus geographically, on products, and on certain buying segments. Our goal is to build a leading position in targeted geographies, products and segments. There are four main areas of focus for us in the U.S.

First, is the Middle Market segment. This represents employers with 250 to 5000 employees plus large single site business. This is our largest market segment, consisting of approximately 6 million individuals, and has been a consistent area of strength for us. We have achieved strong organic growth in this market segment for the past few years. And as Annmarie indicated, our early January enrollment data confirms that we are on path to achieve mid-single digit growth for the segment in 2010. Sales in this segment are typically heavily penetrated with a broad spectrum of specialty products which provides differentiated value for our customers and attractive margins for us.

Second, is the Select segment, which represents companies with 51 to 249 employees. Here our health advocacy capabilities, strong service model and unique funding arrangements are delivered through a consultative sales approach. For this segment, we are leveraging our leaner benefit offerings and the unique capabilities we acquired through our Great West acquisition.

Third, is our Disability offering for National and Middle Market clients. We see attractive growth opportunities across the U.S. and, similar to our Health Care portfolio, a great opportunity for further expansion to Select size employers.

And the fourth area of focus is the National Account employer. Here we will retain a very sharp focus on employers who want engagement and incentive-based products and who value integration, and therefore purchase a broad portfolio of programs from one company. Today our programs and consultative approach are playing well.

Beyond the U.S., our strategy focus is on growing globally. Go Global leverages our current international footprint, which is a competitive strength for CIGNA. The businesses we're concentrating on are Life, Accident and Health, particularly in Asia, Expatriate benefits and Private Medical Insurance (PMI) in select countries.

Our actions are focused in four areas: first, leveraging our product portfolio for our current distribution channels; second, expanding distribution channels for existing products; third, adding new products; and fourth, targeted geographic expansion--part of leveraging our global capabilities.

Overall, the growth prospects for our International operations are very promising. Based on a recent market study of the top 30 countries outside the U.S., the total individual insurance market, which includes three product segments, supplemental health, Private Medical Insurance and global expatriate, is estimated at about \$112 billion. And growth in these market segments is estimated at 5% compounded annualized growth rate through 2015, representing a large and very real long-term growth opportunity for our business.

The third part of our strategy is Go Individual. This is a philosophy that permeates through every part of our company. Go Individual means that we understand that the individual is ultimately the consumer of our services, regardless of how that customer is acquired.

Individuals across the globe are and will take on additional fiscal responsibility. Outside the U.S. today, the individual is our focus, and we have over 5 million policies in force already. In the U.S., Go Individual

is an evolving part of our strategy, and we have launched, on a very targeted basis, a direct-to-consumer segment.

There is no question that regardless of what happens with U.S. health care reform, there will be individual accountability for health and health care. So Go Individual is a fundamental philosophy as well as part of our growth strategy.

As you all know, having a strategy is key to success, but a strategy is only valuable if it is executed. Our current drivers for winning will continue to be critical to execute our growth strategy in this challenging environment. We win in the marketplace--first, where our clients purchase based on value and not simply price. Second, by having a leading consultative selling approach, which means we listen to our customers, build strong relationships and understand their needs. This translates into a win-win situation for us and our clients. Some proof points: as Annmarie indicated for January 1, we're seeing strong retention rates across all of our businesses; good progress on our cross-selling initiative; and new business sales are in line with our expectation in targeted geographies, which is consistent with our growth strategy. Lastly, we win by leveraging our differentiated service and clinical model. Some proof points here: our client satisfaction rates underscore this with over 90% favorable rating for our January service delivery; and additionally, our medical costs came in on track for 2009 and we have ongoing improvement plans in place for targeted geographies for 2010.

The result--winning--is delivering differentiated value for our customers which results in competitively superior growth rates. The outcome is a superior shareholder return.

In closing, overall our 2010 earnings guidance reflects competitively attractive earnings growth in a challenging economic environment driven by the strength of our diversified portfolio of businesses. And we are confident in our ability to achieve our full year 2010 earnings outlook and remain committed to achieving our operational goals for the benefit of all of our stakeholders.

We'll now turn it over to your questions.

Matthew Borsch (Goldman Sachs):

Yes, good morning. If you could talk a little bit about your strategy with Private Fee for Service and the context that I'm thinking of it in is that the product sunsets at the end of this year at--least in most geographies--as I understand it. Your guidance seems conservative with the break even expectations. So the question I'm asking, is what are you really achieving with this growth--and what do you intend to take it to next year?

David Cordani (President and Chief Executive Officer):

Relative to Private Fee for Service, first off, for Senior Solutions more broadly, our strategy has been to ensure that we have the right portfolio solutions for our employer-sponsored customers. A part of that is employer-sponsored Private Fee for Service, as well as Medicare Part D, the broad wrap programs, et cetera. So as Annmarie referenced in our prepared remarks, we've leveraged that kind of fixed cost infrastructure to have the employer solutions to grow on a targeted basis in specific geographies, including some Individual Private Fee for Service business.

In addition, a part of our strategy is to make sure we have the right learnings and capabilities in the U.S. around the individual market. A part of that obviously is seniors, a part of that is non-seniors individual. I think underlying your question is what's our strategy and what's our intent as we step into 2011 and beyond with this product?

As you indicated, the marketplace is going to change with the regulations and we're evaluating the alternatives of what we would do with the employer-sponsored lives versus the individual lives that are in the Private Fee for Service business.

Lastly, the note around the conservatism, again, this was never intended to be a fundamental driver of our earnings growth stepping into 2010, as Annmarie referenced both at Investor Day with a smaller book of business than we anticipated as well as today. We've continued to project a break-even rate although we've priced for margin in the product.

Matthew Borsch (Goldman Sachs):

To follow-up, are you potentially looking to migrate that enrollment to a network-based product in some geographies or across the board for 2011?

David Cordani (President and Chief Executive Officer):

That is one of the options we're evaluating.

John Rex (JP Morgan):

Thanks, so more on that CMS book -- a couple of things that I am interested in. First, obviously the member gains came in far ahead of what you'd been expecting, so maybe double or so and as you do the hindsight on that, what do you attribute that to?

In particular, as you compare the products that those members are coming from, what kind of alternatives they had, as well as how your benefits stacked up in those regions where you were picking up the business.

And then, if you mapped in that membership that you get with where you have existing networks that you could transition them to a network-based product in 2011, and what would be the penetration rate you could potentially see getting out of that?

David Cordani (President and Chief Executive Officer):

I'll start, and I'll ask Annmarie to add in some of the color in terms of the migration, where the business has come from, what we know about it.

Just a little bit of a backdrop here -- first, as you know it's quite early. You get the CMS polls in phases, so we know where a good amount of the individual lives are, but there's a final poll that will come from the Medicare data. Our strategy was to put well-priced products, lean products, in about 1,500 counties. Our enrollees came in about 600 of those counties.

One thing that's changed, I think you're very well aware of but it's important to call out, is that there were several companies that exited this space, which resulted in about 600,000 additional lives coming into "the pool," so there was a lot more activity in the marketplace where individuals were, if you will, forced to make an additional decision because their incumbent carrier was no longer a choice. And from what we saw there was about an additional 600,000 lives that were brought to bear in the marketplace.

My final point before I hand it over to Annmarie is our early look within those 600 counties. We don't have more than 4% of our enrollees in any individual county. If you look at the top 200 counties we're in, we have about 12% share. If you look at all the counties we're in, we have about 8% share. So from a concentration standpoint, our early look at the enrollment is that our concentration of membership is not

there. It's actually quite diverse and only in a subset of the counties that we put our lean products in, did we pick up lives.

I'll ask Annmarie to expand the terms of where the lives came from and some of the information we know about the risk profile.

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

Relative to where the lives came from, there's still some uncertainty as we're pulling in the information from CMS, and I do want to remind you it is early in the cycle and this is inherently a volatile and uncertain product. But where we see some of the lives coming from are from those competitors who had gone out of the market. And as David mentioned, they're very geographically dispersed.

When we look at what we've seen to date from a profiling perspective as it relates to the enrollees that we have priority on, about 85% of the new enrollment is coming from what was previously Medicare Advantage products and that's a positive sign. A couple of things there. We have more information around the risk profile as it relates to those enrollees that come from Medicare Advantage and typically, we have lower commission.

In addition, I would highlight a couple of other key factors about the population as we know it today. We have an average risk score on those products, on those enrollees today, John, that's currently at about 0.86. I'm sure you know that anything under 1.0 would indicate that we have healthier individuals. Anything over 1.0 would say that we have less healthy individuals. So 0.86 is in line with what we would have expected when we priced it, and slightly better than we've had in the past.

Also, these enrollees are in the leanest benefit products that we offer. We have less low income people. We have less disabled individuals, and overall the population that we've attracted this year appears to be on the younger side.

John Rex (JP Morgan):

Have you done the retrospective to compare to what the other offerings were in that market and how your benefit design stacked up against those other offerings?

David Cordani (President and Chief Executive Officer):

John, we have, and we continue to. A big part of our strategy in this area again was to have, as Annmarie and I referenced, a leaner benefit offering. So the retrospective review -- what we see and can confirm, is that our pharmacy benefit on a couple fronts is leaner. And broadly speaking, some of the cost share on the core medical, the hospital benefit, is also leaner. That correlates back to the risk score that Annmarie made reference to.

John Rex (JP Morgan):

Then there's one last question -- you said that you did target a margin on this business even though you're not assuming that in your guidance. Would it be fair to say you targeted something like a 5% pre-tax?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

The target was in the 2% to 3% range for our margin, and as I said, given the inherent volatility around this product, we thought it was appropriate to project it at about break-even.

John Rex (JP Morgan):

That was 2% to 3% pre-tax, correct?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

That's correct.

Christine Arnold (Cowen & Company):

Switching gears, one of your competitors indicated that they were seeing a lot of pressure on ASO fees, not a lot of take-up of the specialty, the disease management, employee assistance and potentially some pressure with trend guarantees. Could you talk about your outlook for 2010 for your ASO book in light of those issues? And what portion of your ASO fees are subject to a trend guarantee?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

First of all, as you know we have historically offered performance guarantees to our ASO customers. Over time that's changed from the traditional service guarantees to some account management-type guarantees, clinical discount and trend. That's the way the market has been evolving.

Relative to our position explicitly on trend guarantees, we have total ASO fees of about \$2.7 billion and our trend guarantees would be a roughly 1%. I'll do the math for you -- approximately \$25 million of ASO fees at risk relative to trend guarantees.

Christine Arnold (Cowen & Company):

What about the up-take on specialty and ASO fees being pressured year-over-year? Can you speak to those issues?

David Cordani (President and Chief Executive Officer):

Relative to specialty uptake, we clearly have seen certain instances where clients have decided to delay purchasing given the challenging economic environment they are facing. I would say, though, net-net, on an overall basis, we're not seeing a material change in demand. When we look at the penetration rates we expected to have stepping into 2010 as part of our planning and what our early look at the penetration rates are, we're seeing that net-net it's about where our expectations are.

I would highlight that it puts a little bit more pressure on the consultative selling to make sure that you're pinpointing the right programs for that employer and using account-based information to pinpoint the right two or three disease management or chronic care management programs as opposed to a general approach. So net-net, on an overall basis, we're not seeing a material change.

Christine Arnold (Cowen & Company):

So no change versus expectations, or no change year-over-year in specialty earnings?

David Cordani (President and Chief Executive Officer):

I'll highlight the expectations and then I'll ask Annmarie to expand on the ASO fee. Not a change in a year-over-year penetration and therefore in line with our planned expectations and ultimately our specialty earnings. I'll ask Annmarie to comment more on the fee environment.

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

The only thing I wanted to add there, Christine, was that as I noted in my prepared remarks, we did see a strong January 1 particularly in the Middle Market with ASO penetrated with specialty. So we are continuing to see good demand for those products on a penetrative basis, and as you'll recall at Investor Day, when we rolled forward our earnings from 2009 to 2010, one of the uplifts is that continued strong contribution from our specialty businesses.

Christine Arnold (Cowen & Company):

OK, and on the ASO fees, are they down more in 2010 than they were in 2009?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

No, we don't expect that. Overall, we expect the gross fee yield to be on the positive side.

Carl McDonald (Oppenheimer):

Can you give us a breakdown of how you think risk ASO and experience-rated enrollment will look for 2010?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

There has not been any significant change since the indications that we highlighted at Investor Day relative to our membership. So on the risk side, we have low single-digit growth. In the shared return side, we have a bit of an uptick there, going probably from a stable to a mid-single digit growth. And on the ASO side are in the stable range.

Carl McDonald (Oppenheimer):

On the risk enrollment growth – how do you feel about the fact that you're expecting some growth in the risk product relative to most of the competitors that are calling for some still fairly significant declines?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

I feel good about the risk growth. As we've indicated in our prepared remarks, where we're seeing some of the growth is in our Select segment, which is one of our targeted segments within our strategy. And last year, we did roll out our leaner benefit designs so we are seeing good traction with leaner benefit designs.

Also in the risk membership, we'll have some growth related to our strategy around Individual. So relative to the Individual and some of the targeted markets where David mentioned we were learning to drive the strategy as we Go Individual, we've seen some good growth there as well.

I feel good about the risk profile there, and our pricing posture on the renewal and new business continues to be at a price that is at about trend.

David Cordani (President and Chief Executive Officer):

I would just reinforce one point, which is within the risk book business our retention rates are strong so when you go back to retention rates you have strong service delivery. And an important comment that Annmarie made in the prepared remarks as well, is the consistency around the pricing and underwriting results is a little bit less whipsawing in the market. So we're very pleased to see retention rates move up, coupled with the sales moving up in the targeted geographies.

Carl McDonald (Oppenheimer):

Regarding the comments you made on the capital with no change to the expected dividends and given all the Medicare growth that you're seeing, does that mean you're willing to let the risk-based capital ratios come down a little bit in the subsidiaries?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

No, that's not what we're implying there. In fact, the year ended with a stronger result in our capital position and our subsidiaries. We did come in with earnings slightly better than our expectations, and the fourth quarter S&P was stronger than we had expected when we talked to the group at Investor Day. And as a matter of fact, that strength in our operating subsidiary capacity allowed us to cover the capital required for Private Fee for Service business and still allow us to end with a result in the parent company that was stronger than what we had expected.

Ana Gupte (Sanford Bernstein):

About your commercial fully insured book, you said that you're pricing above trend and growing in Individual and possibly in Voluntary where the loss ratios should help your mix-adjusted fully insured Medical Loss Ratio, so what is your guidance right now on the outlook for the all-in commercial fully insured loss ratio, the guaranteed cost with the voluntary and everything baked in there?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

Just to correct the record there. I indicated that we were pricing at trend, not above, so I indicated that we were pricing at trend which was consistent with our pricing posture and our expectations.

Relative to the all-in Voluntary/ Individual guaranteed cost MLR that is projected to be 83.5% to 84.5% in 2010, which is consistent with the 83.9% that we reported through 2009.

Ana Gupte (Sanford Bernstein):

What are the trend assumptions you're making on that MLR with regard to the flu season, COBRA and then any network contracting that you've seen completed January of this year?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

Our overall book of business trend outlook continues to be in the 8% to 9% range, and relative to the flu, we had talked earlier that in the guaranteed cost area particularly we had expected about 60 basis points of flu in 2009 and it actually came in slightly better than that. Having said that, we've maintained that 60 basis point assumption relative to flu in the 83.5% to 84.5% outlook for 2010. I'll remind you that COBRA for us is very insignificant. COBRA has typically been on the ASO accounts where there's very little exposure unless it hits the stop loss, which I think we said previously that for the full year 2009, we had about \$2 million relative to COBRA. So no explicit assumption as we move forward into 2010 on COBRA.

Ana Gupte (Sanford Bernstein):

Then finally, you're pricing in line with the 8% to 9% on a buy-down, mixed-adjusted basis, do you see that trending somewhat close to that or will there be pressure downward on the top line year-over-year growth?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

Yes, I'd see it in line with trend. The only thing I would add there is that as we write more leaner benefits and more Individual business, the overall revenue yields and the related trends will actually start to decrease. But we don't expect there to be a significant difference between the two. As we drive more into the Select segment with leaner benefits and Individual, the overall yield and trend should decrease a little bit.

Josh Raskin (Barclays Capital):

Just a couple questions quickly on the pension. It sounded like you made \$410 million of contributions net of tax into the pension over the past year and yet your under-funded status was only down by \$350 million. I'm just curious, was it that your plan asset growth didn't keep up with your projected benefit obligation growth or was there a change in the returns, a change in the discount rate? And then, how should we think about the actual pension expense in 2010 versus 2009?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

Actually our assets performed much stronger than our underlying assumptions. The issue we're dealing with in the roll forward of the pension liability was the change in discount rates. So order of magnitude, that cost us about \$225 million given the interest rate environment, with assets performing better than expected. As a matter of fact, I had noted in my prepared remarks we expected the unfunded liability to be a little worse. We came in better than we expected for year end.

As you think about the expense for 2010, I'd remind you that we froze our pension plan effective July 1, so service cost goes away and the expense for 2009 relative to the amortization of the actuarial losses would be probably around half of what we experienced in 2009.

Josh Raskin (Barclays Capital):

And what are the dollars? What would half mean?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

I'm going to have to get Ted to get back to you on that, Josh.

Josh Raskin (Barclays Capital):

OK, I can grab it from the last 10-Q. And then, the discount rate, you're saying that was changed for 2009 and that was spread related I assume?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

Yes, it was changed. We do our complete valuation of the pension plan at 12/31/09, and we update all of our assumptions: our growth rate, our discount rate, et cetera, and that was changed given the interest rate environment.

Josh Raskin (Barclays Capital):

OK, but no change in the asset return rate?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

No, we continued to maintain the asset return assumption around 8%, consistent with what you would have read in the 10-K previously.

Charles Boorady (Citigroup):

Two questions: one on M&A priorities and if it would be consistent with your desire to grow faster internationally or you think M&A would be more domestically based? Secondly, one in light of the economy around affordability, you talked about leaner benefits which we've seen a trend to over the last almost decade, but once you get to a point where that can no longer affect the cost curve, what are some other things you're doing to address affordability? And are we seeing a return to more networks or HMO-based products or prior authorization or gate keeping and any examples you can give us of the effect that's having on cost trend?

David Cordani (President and Chief Executive Officer):

First, relative to the M&A question, Annmarie went through the sources and uses of capital, and M&A is clearly our second priority once we take care of the appropriate needs of capital for the ongoing operations. We continue to expect that our industry will consolidate over time although the view, at least in the U.S., is that the administration views the maintenance of choice in the industry as rather important. Specific to your question, we would look at M&A two ways – one is capability-based, second is scale-based. As to whether or not we have a bias toward non-U.S. or U.S. assets, I would say we're open to either as we look at it. So we will evaluate capabilities to further enhance, be they health advocacy, engagement, information, care delivery support or product capabilities. Secondly to that, we'll look at targeted scale opportunities that make sense both strategically and financially to us.

As it relates to your second question, I think your point is quite important in terms of if the pattern of benefit buy downs or ultimate leanness of product gets to a tipping point, what's next? I would take it back to some of the prepared remarks we had relative to our Choice Fund fourth year study. What we see in the marketplace is now an increasing pattern of demand and interest in what we will call

engagement and incentive-based programs. So how do you incent individuals to become a bit more active in terms of the management of both health risk as well as healthcare consumption, in terms of the services they utilize, pursuit of more value-based or higher performing outcomes, pursuit of more generic outcomes, et cetera.

Finally, to give you a little bit of the tip of the iceberg, we have some employers out there now that we're working with around value-based benefit alternatives outside of pharmacy. And what that might mean is pegging a benefit design to wherever the clinical efficacy threshold exists, providing the information back to their employees and customers, and having the individual take more fiscal responsibility beyond that.

So to recap: it's the use of information, the use of incentives, and supporting people to both lower their health risks and then consume the health care services where the highest quality and therefore best value unfolds. That's where we see the most activity right now, National, Middle, and emerging in the Select segment as well.

Charles Boorady (Citigroup):

Does that include potentially excluding facilities from networks more aggressively than you have recently or excluding other providers from the networks?

David Cordani (President and Chief Executive Officer):

Yes. I would say less so in the traditional way that you reference from 10 or 15 years ago – that is, less of the network within a network or the sub select network, and more actually going the opposite direction and providing choice and information to the individuals so that more employer customers wanting to have the same breadth of network, but potentially differentiating the coverage and providing more information in terms of the overall quality or the centers of excellence within the program. We do have examples where outliers will indeed be culled, and employers are more interested in that, but offer the use of information as opposed to just looking at a cost indicator. It's use of information for the total episode of care.

So the headline there is still maintaining choice, using information, providing incentives for individuals to pursue the right service at the right venue at the right time, but less of the 15-year-ago model of just lopping 1/3 of the network off and constricting access.

Charles Boorady (Citigroup):

And the prior-authorization or gate keeping – is that coming back or not?

David Cordani (President and Chief Executive Officer):

So, if you look at the stats, you essentially have less than 1% of services that are going through gated or prior-authorization and that's back to the use of information, so I would say no. Not in the historical sense, but on a very targeted basis, yes. So it's sorting the forest for the trees and identifying the finite services where there are high variabilities in clinical quality delivery, therefore high variability in cost, and that's where the activity is, and you're dealing with small number of services that have high variability, and that's why you're dealing with single-digit percentages there.

Justin Lake (UBS):

My first question is just around 2011 and 2012. You've done a great job of detailing the SG&A savings opportunity over the next several years, and I'd just be curious to hear your thoughts on how much of that you would expect to reinvest in the business, to fund future growth initiatives, and maybe what areas of the business you want to invest in.

David Cordani (President and Chief Executive Officer):

I appreciate your comments. Specific to your comment, as you recall at Investor Day, Annmarie made reference to the growth savings and then some of the targeted reinvestments we will make. Our expectation is that we will continue to reinvest back in the business. The savings rates that Annmarie made reference to for 2011 and 2012, as we can best estimate right now, represent essentially a net number as opposed to a gross number, because we are actually investing in our business today, and we made reference to target investments within the Group Insurance operations. We have a rather robust level of investments within our Health Care business, and we are investing in the International business, and that's all kind of codified within our current guidance. So outside of large step function M&A capital deployment, we would intend to maintain our current investment level and see those expenses as being an additive step function of reduction beyond that.

Justin Lake (UBS):

Great. That's helpful. Just a quick follow-up in regards to the cash flow. What is the expected timing of dividends to the parent here, and when would you expect to begin being able to deploy some of that free cash during 2010?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

The timing of dividends is a little bit more back end loaded than front end loaded. So I think consistently we've said that given our capital position, any normal capital deployment, and I'll remind you of the priorities. First, make sure our businesses are well capitalized and we're funding growth. Second, M&A, and then finally repo of shares, so any type of capital deployment would be more towards the latter part of 2010.

Scott Fidel (Deutsche Bank):

First question, if you can provide us with an update on the experience-rated business, in terms of the percentage of accounts that ended the year in deficit. And then also, are you seeing any change in the pace of deficit recoveries over the course of the last year? I know at the end of last year there were some economically-related dynamics there. Just an update on that.

Annmarie Hagan (Executive Vice President and Chief Financial Officer):

Relative to the experience-rated accounts in deficit, Scott, it's pretty much consistent. We have about 64% in surplus and 36% in deficit. We continue to have strong rate execution on our accounts in deficit and, actually, good results during 2009 relative to our margins. Flat to slightly better in 2009 than expected in 2010, which inherently implies we are making good progress on the deficit side of the house.

Scott Fidel (Deutsche Bank):

And then just a follow-up. If you could provide an update on the stop loss book in the fourth quarter, and if you saw any improvement or deterioration and some of the emerging cost pressures that you cited in the third quarter?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

The stop loss book came in about as we expected. There was not an indication that what happened in the third quarter was redundant and a new jump off point. So we had as expected stop loss results, and as I noted in my prepared remarks, as we jump into 2010, stop loss continues to be a very important contributor to our earnings trajectory, and the only other thing I'll note is that we continue to feel the good leverage from the recontracting effort relative to our Great West book of business.

Scott Fidel (Deutsche Bank):

And if I could just sneak one quick one in, on Part D, an update on your enrollment and margin expectations for 2010?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

I don't have the exact numbers on enrollment at my fingertips, Scott, but it's up. So we have growth in Part D, and the earnings are expected to be up as well. I noted earlier, when you think about the progression of our earnings in 2010, given the way Part D comes through with losses in the first quarter and improving as we go along the year, that might be a little bit different because we have expectation for modestly higher earnings on Part D.

Kevin Fischbeck (Bank of America):

In the quarter and versus your data, it seemed like the Other Operations, including Run-off, was better than expected for the year, for the quarter, but then you're looking for it to go back to that \$135 million loss type run rate for next year. Can you talk about what happened this year and what's going to happen next year?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

Relative to the Run-off Reinsurance operations, on an annual basis we evaluate our different reserve positions. Remember, we stopped writing this business in 2000, so this continues to run off and the reserve positions there continue to get smaller as we evaluate that. There is some opportunity for reserve favorability, so as we do those reserve reviews and execute very strongly on the claim adjudication, et cetera, we typically would see, all things going well, some upside at the end of the year.

In addition, we continue to focus on resolving reinsurance recoverables. Remember, this business has a risk associated with the collection of reinsurance from third parties. We've done a very good job at actually resolving those disputes in a positive way which also results in earnings for us. And I would say as this book continues to decline and run off, you could have quarterly good news, but would not expect the level of the fourth quarter good news to be run ratable.

Kevin Fischbeck (Bank of America):

You mentioned that the International business had a \$4 million impact for tax rates in South Korea. Is that a one-time issue or is that going to be an ongoing \$4 million drag to that business?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

Relative to the fourth quarter, we did have a \$4 million full-year true up of the effective tax rate, so having said that, it is a higher effective tax rate as we move forward into 2010. All things being equal, though, you might recall back in the second quarter, we talked about the fact that we employed a capital management strategy which allowed us to effectively reduce the overall tax rate for Korea and expect that for some other countries as we jump into 2010. So as we jump off into 2010, the full year impact of having an overall lower effective tax rate will be an upside for us in International.

Kevin Fischbeck (Bank of America):

So that's upside versus what was reported in 2009, or upside versus what we forecast in 2009 excluding the \$4 million?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

It's upside as related to 2009 all in.

Doug Simpson (Morgan Stanley):

Could you remind us, in the real estate business, I think at the end of last year you had something like \$470 million of future purchase obligations. Do we need to factor this into cash flow sources and uses? Could you give us a sense of the timing and if there's an updated number there?

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

I don't have that number, to be honest with you, but I think it's probably around the same amount that'll be in our 10-K as we file that at the end of the month, and that does not flow through parent company cash. The actual purchase of any of our investments are funded at our operating subsidiary level, so whether it be a fixed maturity or a real estate commitment, whatever term we have on our investment portfolio is embedded in our operating company subsidiaries and does not impact parent cash.

Doug Simpson (Morgan Stanley):

And then the recoverables dipped down about \$90 million in the quarter. As we're looking out a year or two, how should we be thinking about that on the model? Does that continue to chip away at that clip, or maybe you could just remind us of the triggers there.

Annamarie Hagan (Executive Vice President and Chief Financial Officer):

Yes, the largest components of the reinsurance recoverable continue to be some of the divestitures we've had in the past relative to the individual business, the retirement business, and the Run-off Reinsurance that I talked to you about, so it does continue to click down over time -- there's not any kind of major acceleration. If anything, it will probably decline more slowly.

David Cordani (President and Chief Executive Officer):

Thank you. In closing, I just want to emphasize five key points to quickly wrap up.

First, 2009 results represent a good outcome both in absolute terms as well as from a competitive perspective.

Second, our capital position and balance sheet are strong, and our investment portfolio continues to produce good results.

Third, we believe our capabilities and our focused growth strategy match up very well with the current market needs, regardless of the outcome of health care reform.

Fourth, 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.

And finally, emerging indicators for January 1 validate early progress that we're making with our growth strategy.

We want to thank you for joining today's call, and have a great day.

END