CIGNA CORPORATION

FOURTH QUARTER 2010 INVESTOR TELECONFERENCE
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DAVID M. CORDANI – PRESIDENT AND CHIEF EXECUTIVE OFFICER

THOMAS A. McCARTHY – ACTING 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

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 in the health care operations, and the outlook for the Company's full year 2011 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," "outlook," "guidance," "forecast," "expectations" or similar expressions.

By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of 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 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 health care professionals, 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 or sustained deterioration in the commercial real estate markets;
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. 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;
15. 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);
16. adverse changes in state, federal and international laws and regulations, including health care reform legislation and regulation which could, among other items, affect the way the Company does business, increase cost, limit the ability to effectively estimate, price for and manage medical costs, and affect the Company’s products, services, market segments, technology and processes;
17. amendments to income tax laws, which could affect the taxation of employer provided benefits, the taxation of certain insurance products such as corporate-owned life insurance, or the financial decisions of individuals whose variable annuities are covered under reinsurance contracts issued by the Company;
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 complete the integration of acquired businesses; and
22. the political, legal, operational, regulatory and other challenges associated with expanding our business globally.

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 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. With me this morning are David Cordani, our President and Chief Executive Officer, and Tom McCarthy, CIGNA's Acting Chief Financial Officer.

In our remarks today, David will begin by commenting on CIGNA's full year 2010 results and how our 2010 results position us for continued success in 2011. Next, Tom will review the financial results for the quarter and full year 2010. He will also provide CIGNA's financial outlook for 2011.

We will then open the lines for your questions. Following our question and answer session, David will provide some brief closing remarks before we end the call.

As noted in our earnings release, CIGNA uses certain non-GAAP 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. Those risk factors are discussed in today's earnings release.

Before turning the call over to David, I will cover a couple of items pertaining to our fourth quarter and full year 2010 results.

Regarding the results, I note that in the quarter we recorded three special items, which collectively increased shareholders' net income by $42 million after tax or 15 cents per share.

These special items were first, an after-tax gain of $101 million, or 36 cents per share, related to the completion of an IRS examination, primarily affecting our Run-off Reinsurance operations.

The second item was an after-tax charge of $20 million, or 7 cents per share, related to a transaction to transfer to a third party the remaining risk for the workers compensation and personal accident businesses in our Run-off Reinsurance operations.

The third item was an after-tax charge of $39 million, or 14 cents per share, related to our debt refinancing activities.

I would remind you that special items are excluded from adjusted income from operations in today's discussion of our 2010 results and 2011 outlook.

Relative to our Run-off Reinsurance operations, our fourth quarter shareholders' net income included an after-tax non-cash gain of $85 million, or 31 cents per share, related to the Guaranteed Minimum Income Benefits business, otherwise known as GMIB.

I would remind you that the impact of the Financial Accounting Standards Board fair value disclosure and measurement guidance on our GMIB results is for GAAP accounting purposes only.

We believe that the application of this guidance is not reflective of the underlying economics as it does not represent management's expectation of the ultimate liability payout.

Because of 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 2011 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.

One last item: I remind you that CIGNA will be hosting our upcoming Investor Day on March 11 in New York City.

With that, I will turn it over to David.

David Cordani (President and Chief Executive Officer):

Thanks, Ted, and good morning everyone. Before Tom reviews our results and outlook, I'll take a few moments to briefly comment on our performance in 2010 and discuss how CIGNA is positioned for success as we step into 2011.

There are really three primary takeaways you should focus on today: first, CIGNA's diversified portfolio and clear growth strategy; second, our strong execution and performance; and third, our market-leading innovation to enhance service delivery to our clients and customers today and in the future.

So let's dive in.

2010 has definitely been a year of disruption and change. For CIGNA, it has also been a year of opportunity. In the face of these challenges in the global economy and the regulatory environment here in the United States, CIGNA has delivered solid results for our customers and our shareholders.

The foundation of our achievements has been the continued, effective execution of our growth strategy. It is a strategy that is clear to all in our company. By “Going Deep,” “Going Global,” and “Going Individual,” we have focused our portfolio on those businesses delivering the most value for our customers and our shareholders.

Within targeted customer segments and geographies, we have created innovative programs and services to meet changing market demands.

We have strengthened our market-leading programs to improve the health, well-being and sense of security of our customers. We achieved all of this while maintaining high standards for clinical quality and delivering our financial and capital management goals.

For full year 2010, we realized adjusted income from operation of $1.3 billion, or $4.64 per share, reflecting very strong earnings contributions from each of our ongoing businesses – International, Group Disability and Life, and Health Care.

In fact, adjusted income from operations increased by 16% in 2010, and we delivered strong revenue growth in each of our targeted markets.

Our International segment, which includes Health, Life and Accident, as well as our Expatriate business, delivered strong top line growth of 21%, with corresponding earnings growth as well.

In this context, we are fully leveraging our established global network and capabilities to expand into new geographies with differentiated products. Our footprint across the globe allows our team to bring new products to market more quickly than others.

As many of you know, last year we made a strategic acquisition of Vanbreda International, which now establishes CIGNA as the leader in servicing the globally mobile individual. This transaction also enhances growth prospects for our International Expatriate benefits business.

In our Group Disability and Life segment, our results demonstrate the benefit of our leading disability management programs. These programs help employees return to work faster, which increases workforce productivity, and importantly, drives cost savings for CIGNA's clients and customers.

We are delivering value to our employer clients, and as such, we achieved top-line growth of 10% in our Disability business this year.

Within our Health Care business, our results have benefited from strong clinical outcomes, targeted customer growth, as well as the industry-wide impact of lower-than-expected medical cost trend.

I would remind you that approximately 90% of our medical customers are in self-insured or experience-rated arrangements. This means lower medical costs directly benefit our corporate clients and their employees in these highly transparent programs.

We've delivered very good organic membership growth for our Health Care business. Specifically, we realized approximately 8% growth in our Middle Market segment, and approximately 11% growth in our Select segment.

These results demonstrate that our clients and customers recognize the value of our incentive-based programs and integrated solutions.

To complete our view of financial performance, I'm pleased with our capital management results in 2010.

We maintained strong capitalization in our operating companies. We deployed over $600 million of capital to fund the Vanbreda acquisition as well as share repurchase.

We made a meaningful contribution to our pension plan. In addition, we took advantage of the current interest rate environment to refinance a portion of our long term debt with a substantially lower interest rate.

So all in, we feel very good about the strategic operating and financial achievements we delivered in 2010.

Now let's shift gears and discuss how CIGNA is positioned for the year ahead. I'll put these comments in the context of our diversified business portfolio and our growth strategy.

As we look forward, we believe that market forces will drive demand and the landscape will continue to evolve, regardless of how the health care reform legislation unfolds.

As a result, the public and private health service markets are changing; the competitive environment, including care delivery models, are evolving; and clients and customers require new levels of personalization and engagement.

CIGNA's diversified portfolio of programs and innovative solutions – here in the U.S. and abroad – will enable us to meet changing customer and market needs. Our success in meeting these demands will help us grow our business, both today and in the future.

Opportunities resulting from the regulatory environment and the global economy align well with many of the long-standing strengths of our organization. Let me touch on just a couple of examples.

Over the past decade, we've continued to build our International operations from the ground up, featuring a unique direct-to-consumer distribution model that leverages affinity partnerships.

Today, our Health, Life and Accident business is well established and thriving, consistently delivering double-digit top-line and bottom-line growth over the last several years, while maintaining strong profitability.

This business is also poised to benefit from quite attractive growth opportunities, particularly with the trends of the emerging middle class in expanding economies around the world.

As a second example, in today's rapidly evolving marketplace, there is an increasing need for programs and services that improve health quality, while reducing cost.

While quality improvement and cost reduction are key objectives of health care reform, the compelling necessity to address these issues has been apparent for years.

At CIGNA, clinical quality and cost effective care have been a centerpiece of our mission and strategy for many years. CIGNA is already engaging effectively with consumers and health care professionals to improve clinical quality and health outcomes.

Our Accountable Care Organizations and our incentive-based programs, which I highlighted on our last earnings call, are just two examples of health and wellness programs that we employ to increase engagement, improve health, and ultimately lower cost.

We've demonstrated the ability to adapt in changing markets, and we will continue to adapt.

In 2010, we made meaningful progress in executing our growth strategy, and we carry good momentum as we step into 2011. But be assured, we are not standing still. Our focused business strategy and related innovation will continue.

A key part of our strategy is to pursue additional opportunities – beyond our current, well-established market positions – in high-growth segments with a particular emphasis on “retail,” or individuals. And here we mean individuals of all ages.

We expect to leverage our current capabilities to serve these markets in the future. One resource we will optimize is the vast expertise we have in our International operations, particularly on alternative distribution methods and supplemental market capabilities.

This distribution platform enables CIGNA to provide Health, Life and Accident products directly to our individual customers, with over 6.5 million policies in force today.

We distribute our products through telemarketing, direct response TV and the internet, rather than traditional captive broker or agent models. We have the unique ability to maximize our global expertise and capabilities in a wide range of health care systems around the world.

Meanwhile, across our targeted business segments, as part of our ongoing “Go Deep” strategy, we will continue to innovate and provide solutions that will drive sustainable value for our customers and shareholders.

Now, before I turn it over to Tom, I want to reiterate a few key points. Our 2010 results are strong and reflect significant revenue and earnings contributions from each of our ongoing businesses.

I am pleased with the progress we have made in effectively executing our growth strategy. Our results are a testament to the dedication and hard work of our CIGNA team members around the world.

Today, with approximately 65 million customer relationships across all of our programs, each day our team improves the health, well-being and sense of security of the individuals we serve.

Our 2011 outlook, which Tom will discuss in a moment, represents competitively attractive results, with each of our ongoing businesses continuing to deliver strong earnings and an increasing customer base in targeted market segments.

We are carrying good momentum as we step into the year, and I am confident in our ability to achieve our full year 2011 strategic, financial, and operating goals.

With that, I'll turn the call over to Tom.

Tom McCarthy (Acting Chief Financial Officer):

Thank you, David. Good morning, everyone. In my remarks today I will review CIGNA's 2010 results. I will also discuss our outlook for the full year 2011.

As Ted noted, in my review of consolidated and segment results, I will comment on adjusted income from operations. This is shareholders' income excluding realized investment gains, GMIB results, and special items. This is also the basis on which I will provide our earnings outlook.

Our full year 2010 consolidated revenues were $21.3 billion, compared to $18.4 billion in 2009, reflecting solid growth in each of our targeted market segments.

Full year consolidated earnings for 2010 were $1.28 billion, or $4.64 per share, compared to $1.1 billion, or $3.98 per share in 2009. This represents a 16% year-over-year increase in consolidated earnings, reflecting solid execution of our growth strategy.

In Health Care, full year 2010 earnings were $861 million, which is slightly above the upper end of our previously communicated range. This result reflects strong membership growth and lower-than-expected medical cost trend, which was aided by our continued focus on clinical quality.

We ended 2010 with 11.4 million Health Care members, which is 3.6% higher than at year-end 2009. Excluding the growth we had in Medicare Individual Private Fee for Service business, membership grew approximately 3% year-over-year.

As David noted, our membership growth was consistent with our "Go Deep" strategy, with particularly strong results in our Middle Market and Select segments. These segments also tend to purchase on an integrated basis, where we can benefit from strong margin contributions from our pharmacy, dental, behavioral, and health solutions businesses.

Health Care premiums and fees for 2010 were up 17% versus 2009. This increase reflects net membership growth and a change in membership mix to reflect a higher percentage of commercial risk and Medicare-related business.

Excluding Medicare Individual Private Fee for Service, full year 2010 Health Care premiums and fees increased 10%.

Turning now to medical costs, in 2010 we delivered medical cost trend of approximately 6%, which includes the impact of sector-wide lower-than-expected medical services utilization trend.

As David noted, approximately 90% of our customers are in funding arrangements where they directly benefit from these medical trend results.

Across our risk book of business, our fourth quarter medical cost results include favorable in-year claim development of $42 million after tax. Prior year claim development in the fourth quarter was negligible. For the full year 2010, the impact of favorable prior year claim development was $26 million after tax.

Specific to guaranteed cost, our full year 2010 medical care ratio, or MCR, was 80.1% on a reported basis, or 81% excluding prior year claim development.

As expected, full year results for our Medicare Private Fee for Service business were approximately breakeven.

Regarding our experience-rated product, in 2010 we achieved good growth in this business at attractive margins.

ASO earnings in 2010 included strong contributions from our specialty businesses, resulting from our continued success with integrated programs for ASO customers.

Turning to operating expenses, we remain focused on improving our competitive expense position, while funding strategic investments and maintaining service levels and strong clinical delivery.

Overall, we improved our operating efficiency, as medical operating expenses were essentially flat, while we grew related membership and premium and fee revenue.

This result includes approximately $100 million of pre-tax gross expense savings in 2010, driven by cost reduction actions related to employee costs, real estate, and vendor management. These savings were offset by expenses primarily related to strategic investments, compliance costs, and business volume growth.

Overall, we expect continued benefits from operating expense efficiency improvements in 2011, which I'll discuss when I provide our earnings outlook.

Now I will discuss the results of our other segments.

In our Group Disability and Life segment, full year 2010 earnings were $291 million. This result includes an after-tax gain of $11 million from the sale of our workers compensation case management business, which we determined was not aligned with our long-term strategy.

Excluding this gain, results were in line with our expectations and reflect the strength of our disability management and productivity improvement programs.

Premiums and fees for 2010 were $2.7 billion. Group premium and fees increased 6% year-over-year, after excluding the impact of the termination of some non-strategic government life insurance programs. This segment continues to deliver differentiated value for our clients and customers, as well as attractive margins.

Turning now to our International segment, 2010 earnings were $243 million. This is a very strong result, and reflects continued growth in our Expatriate benefits and Health, Life and Accident businesses.

International premium and fees for 2010 totaled $2.3 billion, up 21% year-over-year, or 16% on a currency-adjusted basis.

Our Expatriate benefits business continues to deliver attractive results with solid membership growth and strong renewal rate action. This segment will also benefit from the recently acquired Vanbreda International business.

Our Health, Life and Accident business benefited from improved persistency and solid new sales in our targeted countries driven by both product and distribution channel expansion.

Results for our remaining operations – including Run-off Reinsurance, Other Operations and Corporate – totaled to a net loss of $118 million for full year 2010.

The full year 2010 result includes the VADBe charge taken in the third quarter of this year. No additional VADBe reserve strengthening was required in the fourth quarter.

Overall, our 2010 results reflect strong contributions from each of our ongoing businesses, and these businesses continue to generate significant free cash flow.

Turning to our investment portfolio, we are pleased with our results in 2010. For the full year, we recognized net realized investment gains of $50 million after tax, coupled with a strong net investment income result. Our commercial mortgage loan portfolio continues to perform well.

Overall, we continue to be pleased with the quality and diversification of our investment portfolio. Our strong investment management capabilities and disciplined approach to risk management have delivered solid results for our shareholders.

I'll now shift to our 2011 earnings outlook. As David mentioned, our 2010 results reflect good execution of our focused growth strategy and we expect this momentum to continue into 2011.

We now have more clarity on the MLR regulations, but we will learn more as those regulations and other elements of health care reform continue to evolve.

There are also uncertainties regarding future economic conditions and whether the current levels of medical services utilization trends will continue. Our outlook includes assumptions on these items, and we will monitor how they evolve throughout the course of 2011.

Based on our current view, for full year 2011, we expect consolidated adjusted income from operations of $1.19 billion to $1.29 billion, and EPS of $4.30 to $4.70 per share, reflecting strong underlying results in each of our ongoing businesses.

This outlook assumes breakeven results for VADBe, and does not include the impact of any future share repurchase activity.

For our Health Care business, we expect full year 2011 earnings in the range of $800 million to $860 million, compared to 2010 results of $835 million excluding prior year claim development.

This outlook reflects continued benefits from revenue growth, specialty contributions, and operating expense efficiencies. Offsets to these favorable drivers include some acceleration in medical services utilization, the impact of potential MLR rebates, and continued compliance costs and strategic investments.

I'll now summarize some of the key assumptions reflected in our Health Care earnings outlook for full year 2011, starting with membership. Note that our expectations will exclude the membership losses from exits of non-strategic markets, including the Medicare Individual Private Fee for Service business.

Based on results to date, we expect medical membership as of January 1 to be approximately flat versus year end 2010. This reflects attractive growth in our targeted Middle Market and Select segments, offset by a second year of repositioning in our National Account segment. Through the balance of the year, we expect continued growth in our targeted customer segments and geographies.

All in, we anticipate full year 2011 membership growth of 0% to 3%, excluding the non-strategic market exits. This outlook reflects our expectation that economic conditions remain challenging and that the unemployment rate remains unchanged.

Turning to medical costs, our outlook assumes both acceleration of medical services utilization and the expected impact of required MLR rebates.

As a result, for our guaranteed cost book of business, we expect the full year MCR to be in the range of 82% to 83%, which is approximately 150 basis points higher than the full year 2010 results, excluding prior year claim development.

For our total book of business, we expect full year medical cost trend to be in the range of 7% to 8%. These expected medical costs have been reflected in our pricing. If medical services utilization trend remains at current levels throughout 2011, there is the potential for additional benefits for our customers and our shareholders.

Regarding operating expenses, we continue to pursue cost reduction opportunities to further improve our operating efficiency, with continued actions related to vendor management, employee costs, and real estate. These reductions will be partially offset by expenses for strategic investments, compliance costs, and business volume growth.

For full year 2011, we expect a net reduction in medical operating expenses of approximately $50 million pre-tax based on our current outlook for membership growth and mix.

So overall, we expect full year 2011 Health Care earnings in the range of $800 million to $860 million, which we believe is a competitively attractive result.

Now moving to the other components of our outlook, for our Group Disability and Life business, we expect full year 2011 earnings in the range of $270 million to $290 million, which is consistent with our 2010 result, excluding the one-time gain on the side of the workers compensation business.

I would note that 2010 also benefited from significant favorable reserve releases. This outlook for Group assumes continued revenue growth and strong execution of our disability management model.

For our International business, we expect top-line growth of 19% and earnings in the range of $260 million to $280 million, which represents continued growth on top of strong 2010 earnings of $243 million.

This outlook reflects continued strength in both our Expatriate benefits and Health, Life and Accident businesses. The outlook includes contributions from the Vanbreda International acquisition, with some offset for increased investments in new market expansion.

Regarding our remaining operations – including Run-off Reinsurance, Other Operations and Corporate – we expect a loss of approximately $140 million for 2011.

So all in, for full year 2011, we expect consolidated adjusted income from operations of $1.19 to $1.29 billion and consolidated EPS in the range of $4.30 to $4.70 per share.

I will now discuss our capital management position and outlook. Overall, we continue to have a strong balance sheet and good financial flexibility. Our subsidiaries remain well capitalized, with statutory surplus consistent with our internal benchmarks and well in excess of regulatory minimums.

In 2010 we met our capital management goals. Specifically, we deployed over $600 million of capital to fund the Vanbreda acquisition and share repurchase, we made a meaningful contribution to our pension plan, and we took advantage of the current low interest rate environment and refinanced a portion of our long-term debt.

We ended 2010 with parent company cash of $810 million. For full year 2011, we expect subsidiary dividends of approximately $1 billion, driven by the solid earnings contributions that I just discussed.

We expect other sources and uses of capital in 2011, including pension funding, debt maturities and debt service, to be a net use of approximately $560 million. This would result in parent company cash of $1.25 billion for year end 2011.

After considering our parent company cash target of $400 million, and $100 related to outstanding commercial paper obligations, our outlook implies that we would have approximately $750 million available for capital deployment in 2011.

Through February 2, we have used $75 million of available cash for share repurchase. As we look to the future, we will evaluate capital deployment options to ensure we deliver sustainable value for the benefit of our customers and shareholders.

As such, our capital deployment strategy remains unchanged. We will prioritize the use of capital to first provide capital necessary to support growth of our ongoing operations, our pension plan funding, and our Run-off Reinsurance business.

Second, we would consider M&A activity with the focus on acquiring capabilities and scale. Finally, after considering these first two items, we would return capital to investors through share repurchase.

Overall, our capital position and outlook remain positive.

Now to recap, our full year 2010 consolidated results reflect the strength of our global diversified portfolio of businesses and effective execution of our focused growth strategy. We expect the momentum from our 2010 results to position us well for good underlying growth in 2011.

We are focused on improving our financial flexibility through additional cost reduction efforts and effective capital deployment. We have a healthy capital position and our investment portfolio is delivering strong results.

Finally, we are confident in our ability to achieve our full year 2011 earnings outlook, which we believe represents a competitively attractive result.

With that, we'll turn it over to the operator for the Q&A portion of the call.

Matt Borsch (Goldman Sachs):
Could you elaborate on where you see the potential impact from the Medical Loss Ratio regulations on potential rebates? Is that in your commercial risk book? Or are you hedging at all for some change in regulation on expatriate benefits?

Tom McCarthy (Acting Chief Financial Officer):
We're projecting the impact based on the current regulations, and so we're not trying to anticipate any changes. The impact is in our commercial risk book, including our group business and our individual business.

Matt Borsch (Goldman Sachs):
Could you talk about what you're seeing right now in terms of the pricing environment, both risk but, particularly, on the ASO side?

David Cordani (President and Chief Executive Officer):
Relative to the pricing environment, broadly speaking we see no major change as we compare today versus six months ago. Specific to the product lines, we are predominately in the ASO space, where we continue to see an environment of limited pricing power coupled with the imperative around cross-selling and specialty penetration.

We've continued to have good luck and good progress in 2010, and we expect that to continue in 2011 with the cross-selling leverage, which is where the total value comes together. So broadly speaking, no major changes in theme, good success in cross-selling which is an imperative, and no major change in the ASO price position either.

Matt Borsch (Goldman Sachs):
Great. Thank you.

Josh Raskin (Barclays Capital):
The SG&A was a little bit higher than we were looking for. Was there some discretionary spending in light of the favorable trends that you were seeing on the medical side and/or investments made for 2011? If so, can you help us understand what those specific areas were?

Tom McCarthy (Acting Chief Financial Officer):
Yes, there was some uptick in spending in the last quarter of 2010, and some of that does reflect leaning a little bit on some of the strategic capabilities investments. Typically, when we're looking at medical operating expenses, we'd be talking about care management and consumer engagement capabilities.

We also did have some one-time adjustments for some asset write-offs and some intangible adjustments, but they are relatively modest – less than $25 million pre-tax for the quarter.

Josh Raskin (Barclays Capital):
Okay. And then on the rebates and the MLRs, have you decided on the accounting treatment?

Tom McCarthy (Acting Chief Financial Officer):
Are you asking about how we're going to provide for them quarter-by-quarter?

Josh Raskin (Barclays Capital):
Yes. What sort of exposure are we going to get?

Tom McCarthy (Acting Chief Financial Officer):
Again, this is a relatively smaller issue for us. Our approach is going to be to report the expected rebate based on each quarter's results. We will not be anticipating the full year results in our quarterly accruals.

Josh Raskin (Barclays Capital):
Even though the rebate calculation is paid on a full year basis?

Tom McCarthy (Acting Chief Financial Officer):
Yes, this is a more straightforward approach for us. Again, the numbers aren't quite as significant for us, and so they don't move around as much.

Josh Raskin (Barclays Capital):
Okay. Thanks.

John Rex (JP Morgan):
In the Health Care segment, could you walk us through the $860 million in earnings for 2010 compared to the $830 million midpoint for 2011, specifically the components adding and the components taking away?

Tom McCarthy (Acting Chief Financial Officer):
I'll keep this at a pretty high level. We are coming in to 2011 with some good momentum from 2010.

And unlike many in our sector, we're not projecting a major retrenchment in enterprise-wide earnings. Rather, we expect continued good results in Health Care and our broad, diversified portfolio.

For our Health Care segment in particular, there are a couple of things to note for 2011. First, to get an apples-to-apples comparison on the growth trajectory, I'd suggest you consider both the favorable prior year development that was reported in 2010 and the impact in 2011 from both the medical loss ratio rebates and the utilization trends. As I noted in my prepared remarks, we size the prior year claim development at $26 million after tax and the impact from the MLR rebates and the utilization trend combined at approximately $45 million after tax.

After making those two adjustments, we would expect mid-single digit earnings growth year–over-year, which reflects good momentum off 2010, but also some continued investment in strategic capabilities and compliance costs in 2011.

John Rex (JP Morgan):
Can you split the components, specifically how much you have baked in for rebates, so that I can see what the trend offset is?

Tom McCarthy (Acting Chief Financial Officer):
The total impact of $45 million after tax is split roughly 50/50 between the rebate and utilization impacts.

John Rex (JP Morgan):
Okay, great. Regarding operating expenses, you're saying you'll be net down in the health segment in absolute spend by $50 million? Is that correct?

Tom McCarthy (Acting Chief Financial Officer):
Let me make that clear. We expect a net reduction in medical operating expenses as we report them in the statistical supplement. We also expect continued growth in Specialty, where we like a higher expense base because that is typically offset with higher revenue and strong margin contributions. We also expect some continued investment in the Individual segment, which is not reflected in the medical operating expense line.

In addition, taxes and commissions are also not reflected in the category of medical operating expenses. We would hope they would increase with business volume.

John Rex (JP Morgan):
For the operating expense line that we see on the face of the income statement, are we going to see that go down in 2011?

Tom McCarthy (Acting Chief Financial Officer):
I would expect low growth in total operating expenses, which include expenses for our Specialty businesses, our Individual segment, and premium taxes and commissions.

John Rex (JP Morgan):
The spend in the fourth quarter was the highest I've seen, if I take it to a Per Member Per Month (PMPM) level. It's the highest I've actually ever seen for CIGNA. We keep looking for this to come down. I know there are other offsets, but are we ever going to see the SG&A PMPM spend come down?

David Cordani (President and Chief Executive Officer):
As Tom walked through, on the medical operating expenses, you'll see the PMPMs come down. Also, in the fourth quarter, there were some discretionary investments and one–time items that came through.

Secondly, through the statistical supplement, the theme is trying to break out for you and your peer group, both the medical operating expenses and the Specialty operating expenses, and as we'll discuss at Investor Day, we'll demonstrate how we're investing in the Individual business.

We will also lay out where we're seeing the operating expense leverage in the P&L. Our 2011 outlook includes earnings contributions from the operating expense leverage.

John Rex (JP Morgan):
One more thing on this topic. Two of the expense lines that are going up the most are the "Other" lines. Can you talk about what was driving the increase in the quarter so that I can get a sense of run rate?

Tom McCarthy (Acting Chief Financial Officer):
First, above the line in medical operating expenses, there's an increase in "Other," and that's generally some of the one-timers and some accruals. Below the line, for the balance of the expenses in Health Care, the lion's share of that "Other" is the increased spend for Medicare Private Fee for Service.

John Rex (JP Morgan):
Was the sequential increase in the quarter also driven by Medicare Private Fee for Service?

Tom McCarthy (Acting Chief Financial Officer):
I was thinking about the full year result. In the quarter there actually was some additional accrual for wind down costs in Medicare Private Fee for Service, which was also a driver in the quarterly change.

Justin Lake (UBS):
In the International business, can you spike out what you expect the Vanbreda contribution will be in 2011, and also how that will look in 2012?

Tom McCarthy (Acting Chief Financial Officer):
There is no change from our previous guidance, which is $10 to $15 million in after-tax earnings for 2011 and ramping up to possibly $50 million in 2012.

Justin Lake (UBS):
Okay, so if I back out that $10 to $15 million from the 2011 outlook, it looks like your International guidance is up and shows growth in the mid- to high-single digits, instead of the typical 10+%. Can you talk about what the drivers are for that moderating growth?

David Cordani (President and Chief Executive Officer):
As Tom referenced in his prepared comments, we're accelerating the investments in the International segment because of the underlying growth rate in market expansion. As we've referenced before, we are accelerating our new product development in our new market entries.

Given the overall strength of the book, we're making some additional discretionary investments to accelerate further growth. We'll walk through that multi-year plan at Investor Day. The underlying earnings power is what you would expect of the core book, and your qualitative conclusion is right on the double-digit earnings growth.

Given the power of the contributions from Vanbreda in 2011, we've chosen to accelerate some discretionary strategic investment around both new market entries as well as accelerated product development.

Justin Lake (UBS):
As we think about 2012 getting a much bigger impact from Vanbreda, then would we expect to actually see that flow through to the bottom line, or would that be spent away as well from an investment standpoint?

David Cordani (President and Chief Executive Officer):
You will have to wait until we give you 2012 guidance, but directionally you should not expect that we would be able to effectively deploy all of that earnings power.

As we said on numerous occasions, we're quite excited about the underlying earnings power and underlying revenue growth power of the International business. As we ramp from the $10+ million earnings contribution from Vanbreda in 2011 to the lower end of what Tom had previously referenced, $50 million in 2012, we view that that will be additional earnings contributions and we'll make some discretionary trade-off decisions. However at this point we wouldn't expect to deploy all of that for strategic investments.

Justin Lake (UBS):
Okay. On the "All Other" earnings guidance of $140 million, last year it looked like you had some conservatism built in to your original guidance. I count that run rate of about $90 million for 2010.

Is there a specific driver as to why that would go from $90 million to $140 million, or is that embedding some cushion given the uncertainties of the current environment?

Tom McCarthy (Acting Chief Financial Officer):
I wouldn't characterize our guidance as either aggressive or conservative. I would just say that there is some variability in the results.

Justin Lake (UBS):
Is there anything specific you could talk to as far as why you would go from $90 million to $140 million?

Tom McCarthy (Acting Chief Financial Officer):
No, nothing in particular.

Justin Lake (UBS):
Okay, great. Thank you very much.

Christine Arnold (Cowen & Company):
I'd like to explore some of your underlying metrics in the Health Care division. It looks to me as if we've seen a pretty big increase in the experience-rated loss ratio. Can you tell me what you saw this year in terms of an increase, and whether or not you expect that to rise next year?

Tom McCarthy (Acting Chief Financial Officer):
The results reflect the good new sales we had in 2010, and as you know, the first year results on experience-rated products tend to look worse, and we earn into that over time. If we have another great sales year, we might see that continue, but I'd expect that would start to normalize in 2011.

Christine Arnold (Cowen & Company):
Are you looking for a stable loss ratio there?

Tom McCarthy (Acting Chief Financial Officer):
Yes.

Christine Arnold (Cowen & Company):
For your guaranteed cost expectations, you've embedded an increase in medical costs. How much of the increase in medical cost trend is owing to enhanced benefits and other things associated with reform? Any impact from a normalized flu or COBRA run-off, versus an underlying increase in medical trend? I know it's early, but is there anything in the first quarter that leads you to believe we're seeing that?

Tom McCarthy (Acting Chief Financial Officer):
Regarding first quarter results, it is way too early to have any conclusions on the ultimate trajectory, and so I wouldn't be drawing any conclusions from any recent data. Regarding the underlying drivers, there are a lot of moving pieces.

We do expect that in 2011, we won't have the same favorable results on flu as we had in 2010. We also expect, as I had mentioned in my prepared remarks, that over the course of 2011, we would be on a path toward more normal medical services utilization. But trying to pinpoint the exact dynamic is a little tricky.

Christine Arnold (Cowen & Company):
I'm just looking for a sense for how much you expect underlying utilization to increase. How much did you pad the medical trend expectation versus things you can reasonably estimate?

David Cordani (President and Chief Executive Officer):
In the first quarter, it's too early to say. But if we step back, for our total book of business we saw a 6% trend in 2010, and for 2011 we expect trend of 7% to 8%.

Tom previously referenced a $45 million after-tax expected impact of rebates and utilization to our medical cost results, with about half of that attributable to the acceleration in medical cost trends. To the core of your questions, from a contracting standpoint, clearly there are more facility contracts to secure throughout the course of the year.

Our contracted rates, broadly speaking, are in line with our expectations. They are consistent with what we were able to secure last year, and owing to a portfolio as large as ours, in some markets and in some facilities, we were able to secure some very favorable rates.

Our unit cost is tracking in line with our expectations, therefore, the majority of the expected acceleration in utilization is severity-based.

Christine Arnold (Cowen & Company):
Okay, thanks.

Charles Boorady (Credit Suisse):
I have a question on your 2011 outlook and the 1% increase in utilization, which seems to be echoed by your major competitors. I'm wondering what the basis is for that assumption and what you think the reasonable range of possible outcomes might be for the utilization growth you see in 2011 versus 2010.

I recognize we're coming out of a period of unusually weak utilization in 2009 and 2010. I'm wondering how much actuarial science went into the projections for an increase in utilization, and what the assumptions are for that, because so far we haven't seen real signs of it, but obviously it's only January.

Tom McCarthy (Acting Chief Financial Officer):
I think you may have answered your own question. As I mentioned earlier, the flu dynamic is clearly part of the thought process, and it would be unexpected to have the very low flu-related utilization in 2010 continue into 2011.

As far as the broader dynamic, it's still unclear exactly what the real drivers are. The speculation that it's related to the economy probably makes sense. You would expect a couple of dynamics there: perhaps the continuing improvement in the economy has some impact, and perhaps there's only a certain period of time people can defer costs.

For either of those dynamics, they're less actuarial science and more subjective, but I do think it's a reasonable expectation that there will be some normalization in trends over the course of the year.

Charles Boorady (Credit Suisse):
How much of that 1% of increasing utilization would be flu-related if you just had a normal flu season this year?

Tom McCarthy (Acting Chief Financial Officer):
I don't have that number off the top of my head.

Charles Boorady (Credit Suisse):
On SG&A expense, do you as a company track the SG&A spend specifically related to health care reform? And if so, can you give us a sense for how much unusual spend related to health reform you incurred in the fourth quarter, and how much you are baking into your guidance for 2011 SG&A?

David Cordani (President and Chief Executive Officer):
The answer is yes, with a caveat. There are some direct expenses, as you would anticipate, for enabling technology compliance-related activities and specific programs.
And we seek to track that. I believe we've articulated for 2010 an impact of approximately $25 million after tax. As we step into 2011, that run rate of direct costs increases. We will also have the portion of the costs that we're not directly tracking that are little bits and pieces of every one.

You could draw some judgment that on an operating expense basis, the 2011 impact could range to about two times the rebate impact Tom referenced earlier. Again, we're managing the program portion of that pretty directly, but there are bits and pieces scattered throughout a company of our size.

Charles Boorady (Credit Suisse):
David, I know you generally would give one year of guidance at a time. In light of the major changes in 2014 called for by PPACA, can you lay out for us a multi-year projection of that $25 million in operating expenses, which you said would be a little higher in 2011?

Does it stay at about that level through 2014? Or is there a point where you have to meaningfully increase that expense to either retool your systems or otherwise invest for the post-Exchange world?

David Cordani (President and Chief Executive Officer):
Clearly there are a lot of dynamics within the marketplace. As we get together for Investor Day in about a month, our intent would be to provide as much transparency in our forward-looking thinking as possible, as we always do.

We all know this is a pretty dynamic marketplace, and we're going to provide as much visibility based on what we know. We will avoid speculating on what we don't know. Stay tuned for Investor Day for us to give you some more qualitative insights on that.

Charles Boorady (Credit Suisse):
All right, looking forward to it. Thanks.

Carl McDonald (Citi):
Could you provide some color on your enrollment assumptions, breaking down between risk, experience-rated and ASO?

David Cordani (President and Chief Executive Officer):
We feel quite good about the results we were able to deliver in 2010. We expect the segment pattern in 2011 to be similar to the segment pattern we saw in 2010, as we continue to see strength in our Select segment, as well as our Middle Market segment.

You would expect that because of our overall profile, the bulk of our new membership would be ASO-based. We are seeing increasing receptivity and interest in ASO funding arrangements, down market, specifically in the Select segment.

As we look into 2011, we're continuing to see increasing demand for those transparent products like ASO, as well as our experience-rated portfolio.

The broad picture I would give you is that we expect the segments results to be directionally in pattern with 2010. For the products, we expect a similar pattern, with maybe a little biased down market to a little bit more ASO business in 2011 than we had in 2010.

Carl McDonald (Citi):
Okay, then separately, where does the pension liability stand at year end? Maybe you could walk through the pieces in terms of the contributions you made, market impact, and then also the impact of changing some of the assumptions on the discount rate?

Tom McCarthy (Acting Chief Financial Officer):
On a net basis, the year-over-year change in the pension liability ended up being about flat. We started 2010 with an under-funded balance of about $1.5 billion. We ended the year at about $1.5 billion. As you called out, we put a substantial contribution into the pension plan. We also had some better-than-expected investment returns in the pension plan, which exceeded our 8% assumption.

Offsetting those items were both the accretion of the discount of the liability and some true-ups of the liability. All in, those things all netted out to basically a push.

On the third quarter call we had expected that perhaps interest rates would be a little lower. While they're still low, they were not as low as we might have expected, and so our discount rate assumption for the liability calculation ended up at 5%. The impact from that change was a little less than we might have expected.

Carl McDonald (Citi):
Great, thank you.

Scott Fidel (Deutsche Bank):
Can you talk about how much capital you expect you can free up from the exit of Medicare Private Fee for Service? Of the billion dollars of medical claims payable, how much would you say was allocated toward Private Fee for Service?

Also, how much will you allocate for claims run-out in the business, and when do you think you might be able to extract that capital?

Tom McCarthy (Acting Chief Financial Officer):
The capital utilization for the business is in the $150 million range, based on traditional benchmarks. I would expect that as the premium volume falls off, that capital would be freed up.

The claim run-off should basically play itself out during the year, and so I don't think there will be any lingering impact on that.

I would point out, however, that while we're running that business out, we are growing other businesses, and so much of that capital is reinvested to support the growth of our risk business.

Scott Fidel (Deutsche Bank):
So the net impact will be modest then?

Tom McCarthy (Acting Chief Financial Officer):
Likely.

Scott Fidel (Deutsche Bank):
Okay. David, can you give us your updated views on Medicaid, which is a market that CIGNA has shied away from in the past. Is there any change in that view given the change in dynamics post-health reform?

David Cordani (President and Chief Executive Officer):
We continue to view the Medicaid market under a variety of scenarios as a base marketplace that will likely have some growth.

Whether that growth is going to be a spike to a new plateau, or whether the growth will continue, there is a lot to play out as the legislation unfolds, and as states posture their programs and budgets.

More broadly to our strategy, we've identified three major growth segments in advance of Medicaid that are most attractive to us: broadening our global capabilities, the individual market broadly defined, and seniors broadly defined.

On a prior call, the one nuance I teased out as the next generation of Medicaid markets unfold – one or two years down the road as the legislation is finalized – is that there could be some similarities between the "new individual market" and a portion of the Medicaid market. In that light, we would see positive opportunity.

As it relates to the “blocking and tackling” Medicaid market today, we would put that as a lower priority growth segment for us relative to our strategy and our capabilities than global, individual and seniors.

Scott Fidel (Deutsche Bank):
Okay, thank you.

Doug Simpson (Morgan Stanley):
To continue on some of the discussion around the earlier question, could you talk about the repositioning of the National Account business and in the sales outlook in the Middle Market?

Also, how do you think about the positioning of the company broadly with respect to both scale and the portfolio of assets you have relative to some of the larger players? How are you thinking about that looking out over the next year or two?

David Cordani (President and Chief Executive Officer):
There are a few different questions in there, so let me try to capture the theme of your questions. Then you can redirect accordingly.

The “Go Deep” portion of our strategy orients around depth of geography, depth of buying segment, and depth by way of product line.

I will correlate that to your scale question, then I'll work back to the capabilities, and end with the National segment and Middle Market segment.

From a scale standpoint, what we refer to as ‘locally relevant share’ is what matters because medical costs at 80 or 85 cents on the dollar is the relevant point.

There's clearly other scale, but locally relevant share matters. What we've been able to prove over the last year or two is that by focusing on those key geographies, driving locally relevant share and indeed partnering with physicians and hospitals, we've been able to generate a very good medical cost trajectory and outcome.

We couple that with appropriate benefit designs and generate good value for employers and individuals. We will continue to do that.

From a capability standpoint, we like the breadth of our capabilities today that we have for our Service business. We're broadening it even further, including some of our health advocacy and clinical technology capabilities to engage both individuals and physicians.

To date, most of that expansion is organic in terms of investments that we're driving. We will continue to expand, which we'll profile at our Investor Day.

Back to the initial part of your question on the portfolio, I would remind you that we define the National Account segment differently than all of our competitors.

It's an important definitional difference. We define it as commercial employers with 5,000 or more employees who are multi-state. It's a smaller strike zone than our competition.

In that segment we are focused on those employers who are oriented around incentive- and engagement-based capabilities that are packaged.

For those buyers, we're actually doing quite well. For those buyers who are not buying packages or incentive-based capabilities, we are repositioning our portfolio.
Our Middle Market, therefore, is defined very broadly. It includes employers with 250 to 5,000 employees, as well as large, single-site business. In both cases, we're doing quite well.

We expect to continue to do quite well as we drive the “Go Deep” part of our strategy.

Doug Simpson (Morgan Stanley):
As you think about the National Account business, maybe looking out a year or two, would you characterize this as a lull of repositioning? Do you think you can reaccelerate that going forward?

David Cordani (President and Chief Executive Officer):
Yes. As we looked at the National Account segment, again defined the way we defined it, we experienced some repositioning, acknowledging that the marketplace is not experiencing employment growth.

In that kind of environment, we expect to reposition, maintain share broadly, and then take share in those targeted sub-segments that orient around incentive- and engagement-based capabilities. That is strategically what we're seeking to do.

Doug Simpson (Morgan Stanley):
Okay. Thank you.

Peter Costa (Wells Fargo):
In your guidance on membership, you talked about flattish membership after strategic market exits. Could you describe what those exits would be, the rough size of the membership, and what product areas are impacted, beside Medicare?

Tom McCarthy (Acting Chief Financial Officer):
The largest impact is in the Medicare Individual Private Fee for Service business, which is roughly 90,000 members.

We have a few other targeted exits in small product lines, representing another 50,000 or 60,000 members on top of that. The overall impact is about 150,000 members we'd expect to lose for the year related to the non-strategic exits. Net of this impact, we expect full year 2011 membership to be flat to up 3%.

Peter Costa (Wells Fargo):
The 50,000 to 60,000 of additional strategic exits, where is that? Is that selected states or is that selected business products?

Tom McCarthy (Acting Chief Financial Officer):
A little bit of both.

Peter Costa (Wells Fargo):
Okay. Could you talk a little bit more about your cash for the year in terms of what's going to have a higher priority? Do you think you'll go back to when you used to buy back $500 million of stock a year?

Or do you think it's going to be more of the pension funding that has to be brought up? Which of those two is going to take precedence for your cash this year? You finally have some cash to use this year. Where do you think it will go?

David Cordani (President and Chief Executive Officer):
If you look at 2010 and 2011, we had a strong capital and cash position. Our capital deployment strategy remains the same. First, as Tom referenced, we focus on internal use, which includes the operating subsidiaries which are fully capitalized today.

It includes the pension responsibility. It includes the VADBe responsibility. As we move through that portfolio, then we move to strategic M&A that makes good financial sense.

Absent utilizing our free cash to capitalize our subsidiaries or for strategic M&A, our third approach is to return capital to shareholders through share buyback.

I would say no change in strategic direction, and you can look at 2010 as a good example where we did all three. We deployed against the pension, we deployed against the targeted strategic M&A event, and we deployed against some share repurchase.

Peter Costa (Wells Fargo):
Okay, thank you.

Kevin Fischbeck (Bank of America Merrill Lynch):
When we think about the high end of the guidance versus the low end of the guidance, what are the things that you think could push you to the high end or above? What are the things that leave you thinking that the low end of the guidance is a conservative place to start?

David Cordani (President and Chief Executive Officer):
From a Health Care standpoint, I would draw your attention to three items.

First and foremost is how the medical cost pattern unfolds. We referenced the pattern in 2010 as being a bit dampened, and we expect some acceleration in 2011.

Second is the growth pattern we would incur in terms of both the mix of products, as well as retention versus new business.

Third is whether or not we're able to secure additional operating expense efficiencies relative to the strategic investments that we have flagged.

These would be the three drivers that would push you toward the higher end of the range versus the lower end of the range that we referenced.

If you look at the Group insurance business, what you'd be looking at is the emerging pattern of disability events. I would remind you that to date, our organization has done a very good job in terms of managing these events. The second item we would identify for the Group business is the mix of growth.

Regarding the International business, we would point toward the growth indicator as the key driver, followed by loss ratio movement, and persistency.

Kevin Fischbeck (Bank of America Merrill Lynch):
Okay, great. That's helpful. A few times during the conference call you mentioned the Seniors segment as being a focus. Can you give us a sense of how you think about the Medicare business strategically over the long term?

Obviously you're pulling back near term. You've got an agreement with Humana. But where do you see that business going longer term? The comment that you're serving the senior population – is that a comment on the International business as well?

David Cordani (President and Chief Executive Officer):
I appreciate the framing of your question. When we look at the marketplace, we consider individuals of all ages. Both outside the U.S. and in the U.S., we orient around the senior as well as the non-senior, and strive to provide them with products, programs and services to meet their evolving needs.

Specific to your question in the U.S., to date our approach on Medicare has been to ensure we have the products and services that our employer customers need and value for their programs. That is where the Humana alliance fits in, as it complements our own PDP activities, etcetera.

Lastly, as we look forward, we think that the Medicare marketplace and the seniors marketplace will continue to evolve. We see Medicare as a good opportunity over the long term.

However, this view is not exclusive to Medicare Advantage, nor is it exclusive to Medicare Supplement.

If you think of the pre-Medicare eligible retiree that is 55 to 64 years old, as well as the Medicare eligible retiree who may be in a Medicare Advantage or Medicare Supplement program, we see that as a good, strategic direction for us to have a broadened portfolio of services in addition to employer-related and individually based programs.

Kevin Fischbeck (Bank of America Merrill Lynch):
Okay, great. Thanks.

Dave Windley (Jefferies & Company):
Could you elaborate on your progress with the Vanbreda integration, specifically your transition of some of the contractual relationships, as well as cross-pollinating some of CIGNA's wellness capabilities?

David Cordani (President and Chief Executive Officer):
We're very pleased with the transition to date, and I draw against a few examples. One is our retention of talent. Vanbreda was and is a very well-run organization, highly aligned with talented individuals.

Retention of the individuals that make up that great company was Job One. That's been quite strong.

Two is client retention. A good measure of early stages of an acquisition is whether or not there's disruption. Client retention is strong.

Three is new business generation. Frequently when you have an acquisition, you disrupt the sales channels. The distribution success continues to move forward.

Over the next couple of years, we believe a few things will transpire. One is garnering some of the leverage of CIGNA's broader network for the benefit of the Vanbreda population, doing some rewrite of the benefit policies, etcetera. As part of that we will also have the opportunity to broaden the programs and services, including the benefits and wellness programs that we're quite good at as a core part of CIGNA. That would be over the next one to two year window.

Dave Windley (Jefferies & Company):
Asking the capital question slightly differently, you commented that you were very pleased with capabilities that CIGNA has today.

In your capital deployment strategy, you are still prioritizing strategic M&A fairly highly. I'm trying to understand where you might deploy capital. If you are satisfied with your capabilities today, where are the holes that you think you need to fill, if any?

Alternatively, could we see less capital deployed toward M&A, and more toward share repurchase?

David Cordani (President and Chief Executive Officer):
We view this marketplace as quite dynamic. We view the marketplace as one where you'll see some additional consolidation. The consolidation that transpires could be capability-based as well as scale-based.

We want to be proactively positioned accordingly, in categories where we see opportunities related to our strategy. First, we will continue to look for global opportunities on a very targeted basis.

Second, we would consider individual capabilities that could further broaden our retail portfolio skills. Third, we would consider seniors capabilities, again with “senior” being broadly defined.

Finally, you might see some topping of health, wellness, or lifestyle management capabilities. Again, our portfolio today is a strong, diversified portfolio.

However, as part of our strategy we will seek opportunities to either further diversify it or further strengthen and scale up these capabilities.

Dave Windley (Jefferies & Company):
Okay, thank you.

Ana Gupte (Sanford Bernstein):
My first question is about broker commissions. It seems like you're fairly quiet on this front from broker feedback in terms of reducing it as a percentage of commission, either the cost structure or even eliminating from the premium line.

Can you tell us how you're viewing this in context of your share gain objectives? Do brokers care relative to the trade-off on reducing selling costs and the MLR rebates?

David Cordani (President and Chief Executive Officer):
I'll start by saying yes, brokers care, indeed. It's clearly front of mind. By way of backdrop, clearly distribution models and strategies are being impacted and will continue to be impacted by this changing environment.

I'd also remind you that comments you may or may not be hearing could be contextual as well, in that the vast majority of our business is ASO.

In the ASO space, for the majority of cases we have a fee-based relationship. The fee-based relationship exists between ourselves, the broker or consultant, as well as the employer on a very transparent basis.

Having said that, for guaranteed cost or risk business, shared returns, etcetera, we do see changes. We're evaluating changes. We've executed some changes.

I'll give you just one example. A change we've executed is a reduction in the individual guaranteed cost commission structure. We're continuing to evaluate changes, as it is a dynamic market.

You should expect to see more transpiring from us. However, to punctuate the point that so much of our business is ASO, we show up a little differently for many brokers and consultants from a shelf space standpoint.

Ana Gupte (Sanford Bernstein):
Got it, okay. Following up on that, in the Voluntary segment, you don’t disclose that as much now as a percentage of your book. As you're looking at that as a percentage of your existing book in light of future growth, to what extent are these annual benefit maximum waivers (that were recently granted through 2011) important for you in getting that extension into 2012?

David Cordani (President and Chief Executive Officer):
The waiver and the extension are important, for very clear reasons. The population that orients around the voluntary benefit is a small sub-segment of the overall population.

Today, broadly speaking, they don't have other alternatives. Until an exchange framework and/or a subsidized different model exist, those individuals would actually be left with little if no alternatives.

Therefore, I think the waiver process is actually good, constructive responsiveness from the administration to say they need a bridge from where the marketplace is today to where the marketplace is desired to be in 2014.

As a positive, for maybe a million and a half Americans who are in those programs at any given point in time across the industry, it's good to have that bridge in place.

For us, we've been able to put together that bridge for our employer clients and their employees, and we would expect to continue providing that bridge to at least 2014.

Ana Gupte (Sanford Bernstein):
Any reactions to the Aetna VitalityRE deal on health care securitization in terms of how much free capital you want to deploy, the impact on your ratings and the strategic business mix objectives that you have for future growth?

Tom McCarthy (Acting Chief Financial Officer):
We think that deal was interesting, and we're working to make sure we understand it and see if it would work in our environment too.

Ana Gupte (Sanford Bernstein):
Okay, great. Thank you.

David Cordani (President and Chief Executive Officer):
In closing, I want to emphasize several key points about our strategy and our success to date.

First, our 2010 results were strong, with significant contributions from each of our ongoing businesses.

We are effectively executing on our growth strategy, while maintaining high standards of service and clinical quality as we deliver value to our customers and clients around the world.

We have good momentum as we step into 2011, and I remain confident in our ability to achieve our full year 2011 strategic, financial and operating goals.

Finally, I believe our diversified portfolio of businesses enables us to effectively meet evolving customer and market needs, both today and in the future.

I look forward to discussing CIGNA and our growth strategy with you at our Investor Day on March 11. We thank you for joining our call today.

END