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

The Company and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company’s filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management’s beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company’s productivity initiatives, litigation and other legal matters, operational improvement in the health care operations, and the outlook for the Company’s full year 2008 and 2009 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 health care operations, including those related to: (i) offering products that meet emerging market needs, (ii) strengthening underwriting and pricing effectiveness, (iii) strengthening medical cost and medical membership results, (iv) delivering quality member and provider service using effective technology solutions, and (v) lowering administrative costs;
4. risks associated with pending and potential state and federal class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company’s businesses, government investigations and proceedings, and tax audits;
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 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 and retention of current business;
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 also known as variable annuity 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 also known as variable annuity death benefits under certain variable annuities;
12. adjustments to the assumptions (including annuity election rates and reinsurance) 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 benefits contracts and pension expenses for the Company’s pension plan 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 healthcare services provided to their 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, 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 pension legislation, which could increase pension cost;

18. potential public health epidemics 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 business 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, our Forms 10-Q for the quarters ended March 31, 2008, June 30, 2008 and September 30, 2008, 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. We are speaking to you from our headquarters in Philadelphia, the home of the World Champion Philadelphia Phillies. With me this morning are Ed Hanway, CIGNA’s Chairman and CEO; David Cordani, our President and Chief Operating Officer; Mike Bell, CIGNA’s Chief Financial Officer; and Marcia Dall, our Financial Officer for the CIGNA HealthCare business.

In our remarks today, we’ll begin by briefly commenting on CIGNA’s third quarter results and the enterprise outlook for both 2008 and 2009. David Cordani will provide his perspective on the outlook for CIGNA’s ongoing businesses and provide a current assessment of the health care marketplace. He will also comment on the integration status of our acquisition of Great-West Healthcare. Mike Bell will then review the financial details of the quarter and provide the financial outlook for full year 2008 and 2009. Ed will then make some concluding remarks, and then we will open the lines for your questions.

Now, as noted in our earnings release, CIGNA uses certain financial measures which are not determined in accordance with generally accepted accounting principles, or GAAP, when describing its financial results. Specifically, we use the term labeled “adjusted income from operations” as the principal measure of performance for CIGNA in our operating segment.

Adjusted income from operations is defined as income from continuing operations, excluding realized investment results, special items, and the results of our Guaranteed Minimum Income Benefits business. And our reconciliation of adjusted income from operations to income from continuing operations, which is the most directly comparable GAAP measure, is contained in today’s earnings release, which was filed this morning on Form 8-K with the Securities and Exchange Commission and is also posted in the Investor Relations section of CIGNA.com.

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.

Now before turning the call over to Ed, I will cover a few items pertaining to our third quarter results and disclosures. In an effort to improve the quality and transparency regarding our investment asset disclosures, we have provided additional information about our bond and commercial mortgage portfolios in the third quarter statistical supplement, which is posted in the Investor Relations section of CIGNA.com.

These disclosures include the following. First, an analysis of our bond portfolio showing gross unrealized gain and loss positions and concentrations by sector and asset type for both our corporate and government bond holdings. We also provide a breakdown of the components of our private placement bond portfolio. And we also provide a detailed analysis of our commercial mortgage loan portfolio by property type and geographic concentration, as well as detailed information about our estimated loan-to-value ratios and loan originations by year. Mike will make some comments about the quality and performance of our investment portfolio in a few minutes.

Regarding CIGNA’s Run-off businesses, the third quarter net income included after-tax losses of $61 million, or $0.22 per share, related to the Guaranteed Minimum Income Benefits business otherwise known as GMIB, which is reported in the Run-off Reinsurance segment. I remind you that CIGNA adopted Financial Accounting Standard No. 157 in the first quarter of this year, which impacts the measurement of fair value for the assets and liability of our GMIB business. A portion of the third quarter GMIB loss relates to the effects of fair value accounting under Statement 157. I would also remind you that the impact of Statement 157 reporting on our GMIB results is for GAAP accounting purposes only and does not represent the actual economics or cash flows of the GMIB business.

Because of Statement 157, CIGNA’s future results for this business will become more volatile as any future change in the exit value of GMIB’s assets and liabilities will be reported in net income.
Accordingly, CIGNA’s 2008 and 2009 earnings outlook, which Mike 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 Statement. Mike will also provide an update on our capital management outlook, which will include the impact of economic losses in our Run-off Reinsurance business.

On a different matter, I note that management is evaluating a number of options for achieving additional operating expense reductions, which may result in a special item in the fourth quarter to reflect a potential impact of these cost reduction initiatives.

And one last item, I would also remind you that CIGNA will be hosting its annual Investor Day this year on November 21st in New York City.

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

Ed Hanway (Chairman and CEO):

Thanks, Ted.

Good morning, everyone. Now as Ted noted, I’m going to provide summary comments on the quarter as well as the ’08 and ’09 outlook, and then I’m going to ask David to drill down on the pieces especially as they relate to Health Care.

Our third quarter consolidated adjusted income from operations was $246 million, or $0.89 per share. Our consolidated third quarter results reflect solid earnings contributions from each of our ongoing businesses – Health Care, Group Insurance and International. The results demonstrate the benefits of having a diversified portfolio, particularly during periods of economic challenge. While our ongoing businesses had solid earnings, our Run-off Reinsurance results were adversely impacted by the capital market turmoil.

Regarding the full year 2008 outlook, we now expect 2008 earnings per share to be in the range of $3.40 to $3.50. This is lower than our previous range, primarily due to higher than expected Run-off Reinsurance losses. Mike is going to discuss in detail the Run-off Reinsurance result and outlook in a moment.

With regard to 2009, the challenging competitive and economic environment will collectively result in a much lower level of earnings growth for our ongoing businesses than we had previously expected. We now expect 2009 earnings per share to be in the range of $4.00 to $4.30, excluding any provision for future VADBe losses, which cannot be reasonably estimated. We now expect full year 2009 Health Care membership to decline by approximately 2%.

We are clearly not satisfied with our outlook for 2009 for our ongoing businesses, but we view it as realistic given the current competitive and economic environment, including rising levels of unemployment, which we anticipate will impact Health Care membership. Our 2009 earnings per share growth is not consistent with our long-term goals and also not fully reflective of our capability. While our Great-West acquisition is providing good earnings growth, our core Health Care earnings are lower than previously expected due to expected membership declines that disproportionately impact our higher margin businesses.

Given this membership decline, our current expense levels are too high and exert further pressure on earnings for 2009. We are conducting a comprehensive review of all earnings levers to improve our Health Care results, with a particular emphasis on reducing operating expenses. By establishing and executing on a plan to improve our Health Care earnings, we are committed to creating greater value for the benefit of our customers and shareholders.

And with that, I’m going to turn it over to David, who is going to cover in detail the outlook for our ongoing business.
David Cordani (President and Chief Operating Officer):

Thanks, Ed, and good morning everyone.

The environment continues to be challenging for our customers, our competitors and for CIGNA. Despite the economic and competitive landscape, CIGNA’s ongoing businesses remain well positioned and we are addressing our short-term challenges while continuing to strategically build for sustainable, profitable growth.

Today I’m going to share some perspective on our third quarter results for our Health Care, Group and International businesses, including a view of the current environment that we’re operating in. I’ll also provide an overview of our 2009 outlook for each business and provide a brief update on the integration of Great-West Healthcare. We will share a more detailed view of our long-term growth strategies at our Investor Day meeting on November 21st.

There is no doubt that the marketplace has changed considerably in the last few months. Additionally, the employer benefits marketplace remains competitive, especially for guaranteed costs and experience-rated products.

Through these challenging times, we remain focused on four key components of our strategy. First, we will continue to deliver service excellence. Second, we will maintain and, in some lines, expand our margins through our pricing discipline. Third, we will continue our approach to health—as we believe keeping people healthy is the only sustainable way to deal with escalating costs. And fourth, we will invest in our people and our technology, which are both required to build success in the future. Specific to technology, these capabilities will lead to greater efficiency and additional market-facing capabilities that will continue to differentiate CIGNA.

Before I turn to each of our operating businesses, it is important to recognize the strength of our diversified earnings streams, which provide us with opportunities to grow profitably despite these challenging economic conditions.

Let me begin with a view of Health Care. On a year-to-date basis, Health Care earnings were $506 million. Third quarter Health Care earnings improved as we maintained our focus on managing operating expenses while investing in key strategic initiatives. We generated strong contributions from our specialty businesses, which were tempered by pressure on the guaranteed cost medical loss ratio. Excluding Great-West, medical membership through the end of the third quarter was essentially flat with year-end 2007, reflecting the impact of lower new sales as well as higher disenrollment. We currently expect our membership, excluding Great-West, to end the year approximately 1% below year-end 2007.

Looking forward, our earnings projection for the full year 2008 is $690 to $710 million, which is below our previous estimate and reflects our current assessment of membership levels, the current outlook for our guaranteed cost medical loss ratio and higher litigation expenses. As we look to 2009, we expect our medical membership, including the Great-West book of business, to decline approximately 2% from year-end 2008.

Let me give you some additional color on the drivers. In our national segment, defined as commercial employer groups with greater than 5,000 employees, we are projecting slightly higher new sales for January 2009 than we saw in January 2008. Our new sales growth in the national segment indicates that our value proposition remains attractive in this very competitive marketplace. Our retention rates on existing business are at the low end of our historical range, driven in part by the loss of a large, low-margin auto related retiree group. Additionally, in-group attrition is somewhat higher, reflecting declines in employment levels.

In our regional segment, the upper end of the market that is more oriented to ASO products continues to grow, reinforcing the continued success of our products and programs. However, we are anticipating a decline in the lower end of the segment that is more concentrated in guaranteed cost and experience-rated products, reflecting the impact of maintaining our pricing discipline. The result changes the mix of
our portfolio, which reduces our 2009 earnings growth potential due to our increased concentration in the lower risk and therefore lower margin service business.

As we look beyond January, we expect to expand our membership in the individual and small group segment through phased launches in new markets. We began our first launch in the third quarter of this year, and we will continue with phased launches into 2009.

We do expect Health Care earning growth in aggregate in 2009 driven by Great-West, which offsets the decline in the balance of our book. Our Health Care earnings outlook for 2009 is $710 to $790 million. This is lower than prior expectations due to five major factors.

First, a lower overall membership outlook. Within that, second, a disproportionately larger decline in higher margin guaranteed cost and experience-rated membership in 2008, along with projected further declines in 2009. This is largely due to a lower new sales outlook tied to very competitive market conditions. Third, relatively flat earnings from our specialty business as a result of lower sales to new and existing customers due to economic pressures. Fourth, we are expecting flat operating expenses on a dollar basis, excluding Great-West, coupled with a 2% decline in membership, which is causing our operating expenses per member to be higher. This reflects continued investments in our technology. Our investment is in the form of expanding the breadth and depth of our people, as well as specific capabilities to drive operating efficiencies and to strengthen our infrastructure. And fifth, we anticipate the competitive landscape and outlook for unemployment will remain challenging in 2009.

We’re projecting our guaranteed cost medical loss ratio to improve modestly in 2008, reflecting renewal price increases above medical cost trends. We are projecting that medical cost trends will increase approximately 50 basis points in 2009 to a range of 7% to 8%. And lastly, we do expect improvements in our experience-rated margins in 2009, but this improvement will be offset by expected membership declines and will result in roughly flat experience-rated earnings.

Specific to Great-West, we expect approximately $100 million of additional earnings in 2009. The Great-West earnings growth remains attractive. This is at the lower end of the previously communicated range due to membership being somewhat lower and higher than expected IT transitional and integration costs. We are on track to successfully integrate the Great-West Healthcare book of business. We are focused on preserving and ultimately growing the book, on integrating provider networks and clinical programs as well as key aspects of the infrastructure. And, as we’ve noted in the past, we expect to retain and build on to the strength of the Great-West organization.

We recognize that the 2009 outlook is disappointing. As such, we remain committed to improving earnings. As Ed noted, we are reviewing all of our profit levers with an emphasis on reducing operating expenses.

Now I’d like to shift gears and spend a few minutes on our Group Insurance and International businesses. Both businesses will deliver top-line and bottom-line growth again in 2008. Each business has a strong leadership team and benefits from a very good competitive position, whether that’s in disability, life and accident or expatriate benefits and individual health and life products. Our Group insurance business remains strong despite the challenging economy. In the first nine months of 2008 our Group business reported earnings of $211 million, reflecting a 10% year-over-year increase. Premiums and fees grew year over year at an attractive rate with competitively strong margins. We expect to maintain our strong market position, while driving earnings growth into low single-digit range in 2009 as we balance top-line growth with our need to continue to invest in technology.

Our International business remains strong with sustained top-line and bottom-line growth. Our International business reported year-to-date earnings of $144 million, an increase of 12% compared to the first nine months of 2007. Excluding the impact of foreign exchange, we achieved double-digit earnings in the first nine months of 2008 compared to the prior year, reflecting strong growth in supplemental health, life, accident and our expatriate benefits businesses. In the past, the impact of foreign exchange has had a nominal impact on reported earnings. However, due to the very unfavorable foreign currency movement in South Korea, CIGNA’s largest non-U.S. based market, we will spike out the impact of foreign exchange movement on our reported earnings.
The underlying fundamental performance of our International business remains strong. As such, we remain committed to further expanding our footprint. This includes continuing to build on our success in China and exploring additional growth possibilities in India and in the Middle East.

For 2009 we expect earnings growth in our International business in the mid-teens, excluding the impact of foreign exchange. We expect to see good top-line growth in our expatriate business and our life, accident and health businesses despite increasing competitive pressures.

Although the economic environment and competitive marketplace has changed dramatically overall in the last quarter, our ongoing operations remain well positioned with strong service delivery, stable margins and sustainable long-term growth prospects.

As I noted, we will be taking additional actions to improve the profitability of our Health Care book of business in 2009. First, we will intensify our focus on growing our guaranteed cost and experience-rated books of business while balancing our pricing and underwriting discipline. Second, we will reduce our operating expenses by identifying additional efficiencies in operations, infrastructures such as real estate, and staff and non-customer facing roles. Third, we will further invest in total medical cost improvements. And fourth, we will intensify our efforts to increase intra-year specialty product penetration, with particular emphasis on our ASO products.

With that, I’ll turn it over to Mike, who will go into more detail of third quarter results and our 2008 and 2009 outlook.

Mike Bell (Chief Financial Officer):

Thanks, David. Good morning, everyone. In my remarks today, I’ll review CIGNA’s third quarter 2008 results and I’ll also discuss our outlook for the balance of this year and for full year 2009.

In my review of consolidated and segment results, I’ll comment on adjusted income from operations. This is income from continuing operations, excluding realized investment results, GMIB results and special items. This is also the basis on which I’ll provide our earnings outlook.

Our third quarter earnings were $246 million, or $0.89 per share, compared to $321 million, or $1.13 per share, in 2007. Third quarter results for our ongoing businesses were strong, while results for our Run-off Reinsurance business emerged unfavorably. And based on market results in October, we expect this trend for the Run-off business will likely continue into the fourth quarter.

Now I’ll review each of the segment results, beginning with Health Care. Third quarter Health Care earnings were $187 million. The third quarter results included strong contributions from our specialty business and sequential improvement in both the guaranteed cost MLR and experience-rated earnings. Third quarter results also reflected continued focus on managing operating expenses, while increasing investments in key initiatives.

I’ll discuss our Health Care results by major components. Guaranteed cost earnings improved sequentially, mainly reflecting an improved MLR due to higher renewal rate increases. Our guaranteed cost MLR from the third quarter improved to 83.8%, excluding our voluntary business. Although the improvement was less than we expected, the third quarter MLR reflected good progress on our renewal rate actions, partially offset by a higher level of benefit buy-downs. Medical cost trends for the first nine months on our guaranteed cost book was approximately 7.5%, modestly higher than we had expected.

Our experience-rated results also improved sequentially, driven by strong underwriting execution. The MLR for the experience-rated book improved by 440 basis points versus second quarter, which contributed approximately $15 million after tax of sequential earnings growth.
Third quarter ASO earnings were lower sequentially due to higher operating expenses. Operating expenses in the third quarter included the absence of favorable items in the second quarter and increased spending in targeted investment areas, including technology.

Great-West contributed $13 million of after-tax earnings in the quarter, excluding financing costs which are reported in the Corporate segment. The third quarter result includes a $12 million after-tax impact of transition and integration expenses. Now as a reminder, beginning in 2009 we will no longer report Great-West results separately, as we will view this as an integrated operation embedded within our Health Care results.

Our medical membership, including Great-West, was 11.9 million members as of September 30. Excluding Great-West, membership was essentially flat with year-end 2007. During the third quarter our guaranteed cost membership declined by 5%, and our experience-rated membership declined by 2%. Now our membership result reflects our continued focus on maintaining pricing discipline, as well as the impact of higher disenrollment. Health Care premiums and fees increased 13% relative to the third quarter 2007, primarily due to the acquisition of Great-West Healthcare.

Now let’s go through the results of our other segments. Third quarter 2008 earnings in our Group Disability and Life segment were $70 million. This result includes a $5 million favorable impact from reserve studies. Earnings in the quarter primarily reflected revenue growth and competitively strong margins.

In our International segment, third quarter 2008 earnings of $44 million represented revenue growth and strong margins in both the life, accident and supplemental health and expatriate benefits businesses. The results also include a $3 million unfavorable after-tax impact from foreign currency movements in South Korea, CIGNA’s largest non-U.S. market. Our Group and International businesses continue to be important contributors to our consolidated results.

Earnings for our remaining operations – including runoff reinsurance, other operations and corporate – totaled to a loss of $55 million for the quarter. This includes an after-tax charge of $72 million related to our Variable Annuity Death Benefit, or VADBe, charge. The VADBe charge is primarily market related, driven by a variety of factors, including the unfavorable market returns and increased volatility in the third quarter. I would remind you that our VADBe results have been close to breakeven for the last five years.

I’d also point out that there’s been continued market turbulence since September 30. We estimate that if fourth quarter had ended on October 28, we would expect to incur additional losses in fourth quarter of approximately $125 million after tax related to VADBe.

We’ve assumed that the third quarter and October results reflect an unusual level of negative market returns and higher volatility which we do not expect to continue. We’ve included the estimated $125 million after-tax loss in our fourth quarter estimates. Actual fourth quarter results could differ materially from these expectations.

I’ll now comment on our investment portfolio and results. As we discussed previously, our investment strategy is to maintain a high quality, well-diversified portfolio. We have a dedicated, experienced investment management team that has historically produced competitively strong returns in both stable and challenging market conditions.

In 2008, our investment portfolio continues to perform well. Year to date, our net realized investment losses have totaled $18 million after tax. In the quarter, our realized investment losses of $55 million after tax were mostly offset by realized gains of $40 million on the sale of a commercial real estate partnership.

As Ted noted, we’ve expanded our disclosures regarding our investment portfolio. I’ll now add a few key highlights. First, we continue to have no direct exposure to sub-prime, Alt-A loans, credit default swaps or auction rate securities, and we have no material exposure to residential mortgages. Our current commercial portfolio of $3.6 billion is strong, reflecting our consistent disciplined approach to underwriting. All of our loans in this commercial mortgage portfolio are fully performing, consistent with prior quarters. We estimate that our average current loan to value ratio for our commercial mortgages as
of September 30 was 64% and, therefore, our borrowers have a strong economic incentive to make good on their loans.

As shown in the additional exhibits, the substantial majority of the mortgages were originated before 2007. So, overall, we continue to be pleased with our investment management results relative to the current market conditions.

Now I’ll review the earnings outlook for full year 2008. For full year 2008 we currently expect consolidated adjustment income from operations of $950 to $980 million. While we expect continued solid earnings from our ongoing businesses in the fourth quarter, this updated full year range is lower than the estimates we provided in August, primarily due to the third quarter charge and fourth quarter outlook for our run-off VADBe book.

I’ll discuss the components, starting with Health Care. We currently expect full year 2008 Health Care earnings in a range of $690 to $710 million. This range is approximately $15 million lower than our estimate at second quarter, primarily reflecting a lower membership outlook, higher litigation-related expenses and a higher guaranteed cost MLR, which I’ll discuss in a minute.

In addition, the full year range includes a contribution of approximately $50 million from Great–West, and the latter is consistent with our estimate at second quarter and excludes the financing costs in Corporate. We currently expect our medical membership, excluding Great-West, to end the year down approximately 1% versus the year-end 2007. This membership outlook is below our previous estimates.

In addition, we currently expect Great-West membership to decline by approximately 80,000 over the balance of this year, with the majority of the decline coming from our lower-margin TPA business. We continue to expect medical cost trend for our total book of business to be in the range of 6.5% to 7.5% for the full year 2008. And we now estimate that the full year guaranteed cost MLR, excluding the voluntary business, will be approximately 84%.

Lastly, I would note that we are evaluating a number of options for driving additional operating expense reductions which may result in a special item in the fourth quarter to reflect the potential impact of these cost reduction initiatives. At this point, our preliminary estimate is that this type of special item charge would not exceed $50 million after tax. And this potential charge is not included in our current 2008 earnings estimates.

Now I’ll discuss the balance of our segments. We expect our remaining operations to contribute approximately $260 to $270 million of earnings for the full year 2008. Specifically, we expect our Group, Disability and Life and International businesses to continue to grow revenue while maintaining strong margins. We expect mid-single digit earnings growth in Group and double-digit earnings growth in International for the full year 2008. Our current expectations for International’s fourth quarter earnings include an unfavorable impact of the South Korean Won exchange rate.

Earnings for the balance of our operations are expected to be significantly lower than previously estimated as a result of the VADBe third quarter reserve charge and our current best estimate of a fourth quarter charge of approximately $125 million, based on market conditions at the close of business on October 28.

We currently estimate that our full year 2008 consolidated adjusted income from operations will now be in a range of $950 to $980 million and that EPS will now be in a range of $3.40 to $3.50 per share. Our EPS expectations assume no additional share repurchase.

I’ll now review the earnings outlook for full year 2009. Given the challenging competitive and economic environments, we currently expect the 2009 earnings for our ongoing businesses will be lower than our prior expectations. For full year 2009 we expect consolidated earnings to be in a range of $1.09 to $1.18 billion and EPS in a range of $4.00 to $4.30 per share, excluding any provision for future VADBe losses.
We believe the VADBe assumption to be appropriate based on the underlying assumptions supporting our reserve levels for this business along with an expected return to more normal market conditions. Actual 2009 VADBe results could differ materially from these expectations.

I’ll discuss the components of the 2009 outlook, starting with Health Care. Health Care earnings, including Great-West, are expected to be in a range of $710 to $790 million, representing growth of 3% to 11% versus 2008.

I’ll highlight the drivers of the expected Health care results. We currently expect medical membership to decline by approximately 2% for the full year 2009, including Great-West. Specifically, we currently expect an 8% decline in both guaranteed cost and experience-rated membership. Further, while we expect Great-West membership to decline in 2009, we also expect Service membership, excluding Great–West, to be approximately flat versus year-end 2008.

Relative to our guaranteed cost book, we currently expect flat year-over-year earnings in 2009. Specifically, we expect to achieve price increases that drive approximately 50 basis points of improvement in the medical loss ratio, which would result in a full year 2009 MLR of approximately 83% to 84%. This improvement is expected to be offset by lower guaranteed cost membership. And these MLR estimates exclude the impact of the Individual and Small Group segment expansion which I’ll discuss shortly.

Turning to medical cost trend, we expect trend on our total book of business to be in the range of 7% to 8% in 2009, or up approximately 50 basis points versus full year 2008. With respect to the segment expansions, we now expect the Individual, Small Group and Senior segments to be approximately breakeven in 2009 relative to an estimated $20 million after-tax loss in 2008.

Regarding our experience-rated book, while we expect margin improvement in 2009 relative to 2008, we now expect it to be less than we had previously targeted, reflecting tougher competitive and economic conditions. Overall, we expect that the improved experience-rated margins, coupled with lower experience-rated membership, will result in relatively flat experience-rated earnings in 2009 versus 2008.

Great-West earnings accretion is expected to be significant in 2009, but at the lower end of our previously communicated range. We now expect 2009 earnings of $140 to $160 million after tax, excluding financing costs. This represents an increase of $90 to $110 million over 2008. This estimated range includes an expected significant improvement in margins, partially offset by a decline in membership.

We expect that specialty earnings from ASO members will be approximately flat in 2008. And while we will continue to focus on managing operating expenses, we will continue to increase investments in key initiatives. Overall, we anticipate a level of spend in 2009 that will also put pressure on ASO earnings. So all in, we expect ASO earnings excluding Great-West to be down approximately $40 to $60 million after tax year over year. In addition we expect lower Medicare part D results and other various items to reduce earnings by approximately $20 million after tax in 2009.

Turning now to our other segments, we expect to grow Group Disability and Life earnings by low single digits in 2009, driven by revenue growth with some expected pressure on margins. International earnings are expected to grow by high single digits in 2009, driven by strong revenue growth and margins partially offset by an expected negative impact of the exchange rate in South Korea. Specifically, we’ve modeled an exchange rate of approximately 1,200 Won per dollar, and since the rate continues to fluctuate, we expect to provide additional updates in the future. So all in, we expect 2009 EPS to be in the range of $4.00 to $4.30 per share.

The underlying earnings drivers for our ongoing businesses reflected in our current 2008 and 2009 EPS outlook are not consistent with the assumption supporting our 12% to 15% long-term EPS growth goal. Given the current and anticipated environment, we do not expect to achieve this level of EPS growth from our ongoing businesses in the near term.

Now I’d like to discuss the impact of the current financial market conditions. I’ll first discuss our capital position and then our parent company liquidity. Overall, while there are near-term challenges in the
financial markets and our earnings outlook is now lower for 2008 and 2009, we believe that we have a range of options to deal with the current pressure. In view of current conditions, we do not anticipate any share repurchase in the near term. And I'll expand on our range of options in a minute.

First, let me provide some context regarding our approach to capital management. We manage our operating subsidiaries to target capitalization levels well in excess of minimum regulatory requirements. We have benchmark capital targets that we review with the rating agencies that address our specific business mix and run-off reinsurance exposures. And based on recent market developments and the revised 2008 outlook for Reinsurance and Health Care, we expect to end 2008 below our long-term targets, but still well in excess of regulatory minimums.

During 2009 we expect to limit our subsidiary dividends to increase our capitalization level back towards our long-term targets. Specifically, while there are a number of variables that could impact year-end capital, I currently expect that our capital position may entail retaining approximately $400 to $500 million more in earnings in the operating companies in 2009 relative to what we’ve historically targeted.

As a result, based on our revised 2009 outlook and providing for the potential for additional investment management credit impairments in 2009, we currently expect 2009 dividend payments to the parent from our operating subsidiaries to be approximately $350 million. While this is our current estimate based upon recent market conditions, it is obviously subject to change in the future. The key is that we expect that this lower level of dividends would enable us to increase our subsidiary capitalization levels by the end of 2009. So overall, despite the recent market turmoil, our current operating company capitalization remains strong and well in excess of minimum regulatory requirements.

Now I will turn to the second topic, parent company liquidity. We ended third quarter 2008 with cash and short-term investments at the parent of approximately $130 million and commercial paper borrowing of approximately $315 million. I would also note that we continued to have access to the commercial paper markets in October. So starting with our parent company cash balance of $130 million on September 30, we expect other net uses of $90 million during the fourth quarter, including $30 million of share repurchase which was completed in October, reducing our parent company cash position to approximately $40 million at year end. We would normally target a higher level of parent company cash.

We have several potential options for increasing our parent cash balance by year-end 2008. First, as we’ve discussed previously, if market conditions permit, we may issue long-term debt to meet part or all of this target. Second, we may increase our commercial paper outstanding. Otherwise, potential actions could include utilizing our bank credit facility or temporary borrowing from subsidiary operating companies to meet the parent company needs.

Now, turning to 2009 parent company cash, our next long-term debt maturity is scheduled in 2011, so we do not have any long-term debt obligations maturing during 2009. External obligations, including net interest expense and shareholder dividends, are expected to be approximately $200 million in 2009. As noted earlier, we expect subsidiary dividend payments to the parent of approximately $350 million in 2009. So all other sources and uses of cash at the parent company other than pension plan funding requirements, which I’ll discuss shortly, are currently expected to be approximately $0. So before considering pension plan funding requirements, our net parent company cash sources in 2009 are expected to be approximately $150 million.

Relative to the funding of our pension plan, based on the current Pension Protection Act guidelines, we may make contributions to the plan in 2009. Based upon the current equity market and the assumption that we restore our pension plan to the currently targeted funding levels, the funding need would be significant given the impact of the decline in equity markets on our pension assets.

Based upon the current equity market and assuming that we restored our plan to the currently targeted funding levels, we would expect net parent company cash outflow to the pension plan of approximately $600 million after tax in 2009. This estimated impact is still subject to revision based on a wide range of factors, including equity market and interest rate changes between now and year-end 2008 as well as our decisions around targeted funding levels, which could be impacted by any regulatory changes.
Now, to address the pension funding requirements in 2009, our options include the following. First, we could increase our parent company debt. Absent that, we could utilize our credit facility or consider temporarily borrowing from the subsidiaries. In addition, we could defer some or all of the planned increase in subsidiary capitalization into 2010, or we could elect to fund our pension plan at a lower level in 2009.

We also recognize that our overall financial leverage will depend upon the mix of actions that we elect to take in order to meet our parent company funding needs. At this point, under most scenarios, we anticipate debt to capital leverage to be in a range of 30% to 35% based on the debt to capital calculations as defined in our bank credit facility covenants. This is above our targeted range of 20% to 30%, but lower than the maximum leverage of 40% which is allowed by the credit facility.

In 2009, while again subject to the mix of options that we choose to implement, we plan to reduce financial leverage back below 30%. So overall, while there are near-term challenges to our capital and liquidity position, we believe that we have the financial flexibility to deal with the current conditions.

To recap, our third quarter results for our ongoing businesses were strong. Consolidated results were lower sequentially due to the unfavorable results of Run-off Reinsurance. We currently have financial flexibility to deal with the current conditions, and our investment management results continue to be competitively attractive.

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

**Ed Hanway (Chairman and CEO):**

Before we take your questions, I want to conclude on three key points. First, our three ongoing businesses, Health Care, Group Insurance and International are well positioned to provide value to customers and investors in these very challenging times. Our products, customer service levels and consumer engagement and information capabilities are all recognized as competitively strong.

Second, our Health Care earnings growth in 2009 is lower than we had expected. The competitive and economic pressures we face are significant. However, given our capabilities, we are committed to improving performance. We continue to review all earnings levers to improve our Health Care results with a particular emphasis on reducing operating expenses.

And third, our capital position is currently solid and we expect to have the financial flexibility to deal with these difficult capital markets. In addition, our investment portfolio is of high quality and very well managed. And assuming more stable capital markets going forward, we also have programs in place to substantially manage our run-off reinsurance exposure.

Now in summary, while we are not satisfied with our 2009 outlook, we feel it’s a prudent one given our environment, and we are committed to improving upon it and creating greater value for our shareholders.

And with that, Ted, I think we'll go to the phones and take questions.

**Matthew Borsch (Goldman Sachs):**

Yes. Hi. Good morning. If you could just maybe give us a little bit more of your thinking on the pension funding for next year. I’m curious in particular what are the factors around which you would have flexibility to fund the pension plan at a lower level? You mentioned that as a potential option, and I’m just not clear on what would go into either your ability to do that vis-à-vis the regulations or your decision to do that if you can.
Mike Bell:

Sure. Good morning, Matt. First, overall we have a range of options that we’ll be looking at here for 2009. Specific to your question, we believe that the true current minimum requirement would entail on a net after-tax basis over the full year 2009, the parent to contribute approximately $100 million after tax to the pension plan, and that assumes the current financial market levels.

Now, the $100 million, which we believe to be the true current minimum requirement, is much less than the $600 million net after-tax item that I mentioned in my prepared remarks. The $600 million after tax would in fact be the kind of follow-your-nose that we’ve done historically. Again, we’re in the process really of evaluating our options. We’ll evaluate any regulatory changes that come out of Washington, evaluate where markets end up at year end and based on that – based on the consideration of options -- we’ll likely provide you an update in the future.

Matthew Borsch:

And that’s all right. If I could just ask a follow-up and it’s on a different topic. Maybe I got this wrong, but it sounds to me like your language around the health care competitive environment would indicate that maybe relative to how you saw things last quarter you’re seeing the competitive intensity is a little bit greater going into next year than you did last quarter, or do I have that wrong?

Mike Bell:

I think that’s fair, Matt. David, do you want to add?

David Cordani:

Good morning. We’ve continued, Matthew, as you recall, to flag the marketplace as being competitive and very competitive. And, as we’ve highlighted, where it’s most pronounced is in the guaranteed cost book which is in the lower end of the buying segment and then it shows up in the experience-rated book of business which is high end to small segment, low-end to middle-market. And I would say we see it continuing. We don’t see a pronounced firming up in the marketplace, and we think it’s premature to call that.

Matthew Borsch:

OK. Thank you.

Josh Raskin (Barclays Capital):

All right. Thanks. First question, how do we think about the decline in Health Care earnings excluding Great-West? You mentioned that that’s due to economic and competitive pressures. How much of this is economically related, and is that just an assumption of a continued worsening of the unemployment or how are you thinking about that?

Mike Bell:

Josh, I think it’s fair to say that both the competitive conditions as well as the economic conditions are worse than what we had anticipated three months ago and are contributing to the lower outlook here for Health Care for 2009 – actually both – really for Great-West as well as the core operations. And specifically, that entails a lower membership expectation for full year 2009. We’re now estimating a 2% decline over the full year, which is worse than what we’d anticipated three months ago. But as David described, a disproportionate impact on our highest margin products. So that combination is reflected in our current estimates for 2009. David, do you want to add?
David Cordani:

Good morning, Josh. Just to reinforce, as we commented in the prepared remarks, so point one, with the membership being down although our total operating expenses at Great-West are flat, in an environment like that we’re seeing negative earnings pressure from that relationship of the flat operating expenses to membership.

Secondly, it’s the guaranteed cost – the compounded effect of the guaranteed cost and experience-rated downtick in volume in 2008 and 2009. I would contrast that though with the comments I made in my prepared remarks.

Looking at the ASO business for national accounts, our 1/1/2009 sales were actually higher in 2009 than they were in 2008. And the higher end of the middle market buying segment – so that 2000 to 5000-like who typically buys ASO – generally speaking, our book is performing reasonably well even in those conditions.

Ed Hanway:

Josh, the only other thing I would add to that is within the guaranteed cost and the experience-rated book, as Mike commented, we’re actually seeing some modest margin improvement there.

Now as a practical matter, the earnings in aggregate are not growing because we’re expecting to see some continued pressure in medical membership there. But that’s a conscious decision, and I think it’s reflective of the discipline we’ve had around the pricing and underwriting actions that we’ve taken and that we continue to believe is the right strategy.

Josh Raskin:

Got it. And then just a follow-up on that membership 2% decline, is that including all in Great-West? And if not, what’s the Great-West expectation?

David Cordani:

Good question. It is all in, so for 2009 our numbers are on an all-in basis. And a way to think about the 2% just at a macro level, you could think about the ASO portfolio for CIGNA as being about flat. It’s up a tad. As we noted, the experience-rated and guaranteed cost books are down and then ASO membership specific to Great-West is down as we anticipated kicking into 2009. But the 2% is on an all-in basis. That’s correct.

Josh Raskin:

OK. Last question. This may be for Mike. What is the incremental pension expense that you guys are incorporating as the ’09 guidance versus what you’ve experienced in ’08?

Mike Bell:

Sure, Josh. At this point we do not expect higher GAAP expenses for the pension plan in 2009 than what we experienced here in 2008. And the reason for that is a few-fold. First, interest rates currently are higher than our discount rate for GAAP purposes. Now obviously, that’s subject to change between now and year end, but currently interest rates are higher. At the same time for investment returns, we elect to spread the difference between the actual investment returns and our investment return assumptions over a period of five years.

And so those two things, coupled with the fact that we are currently assuming in our earnings plan for 2009 that in fact we fund the pension plan to the historical levels which would entail the $600 million after-tax item that I mentioned in my prepared remarks. That combination of all those things would suggest that from a GAAP expense standpoint, pension plan expenses would not be higher in full year ’09 versus full year ’08.
Josh Raskin:

I guess, Mike, the only part I would question would just be even if you amortize the difference between actual versus realized, sort of that last portion of the pension plan, it still seems even over a five-year period if we assume two-thirds of your pension plan is in equities, that would calculate – I still get numbers in the – even just that component I think switches by $50 million. Maybe we could take it offline or maybe I’m doing the math wrong.

Mike Bell:

Josh, we can certainly take it offline. I think the piece that you may be underestimating is the significant impact of the higher interest rates, but we’d be more than happy to take that offline.

Josh Raskin:

Meaning you’ll increase your discount rate?

Mike Bell:

No, meaning that if the year ended today the actual interest rates that would be used to project the 2009 expense.

Josh Raskin:

Oh, expected return. OK. Got you. Thank you.

Doug Simpson (Merrill Lynch):

Hi. Good morning. Mike, I was wondering – could you just give us a little more color on the reserve strengthening for the VADBe business? And I apologize if I missed it, but did that relate to the hedges or was it surrender rates – partial surrender rates? And then as a follow-up on the GMIB book, have you seen any change in the annuity income election rates?

Mike Bell:

Sure, Doug. First, in the answer to your first question, the VADBe charge is primarily market related on both market conditions in third quarter as well as what we’ve seen thus far in October. The short answer to your second question is we have not seen a material change in the GMIB annuitization election rates. Just to give you a little more color on both of those items, first of all, in terms of the hedge program for VADBe, as you know, the hedge program is really designed to give us additional protection in downside scenarios. It’s not intended to guarantee that we’ll have zero earnings in that book, but over the last five years the hedge program has produced a VADBe result that’s been pretty close to breakeven.

There are really two items in third quarter that we also saw continue into October and roughly these two items are weighted equally, so they account for approximately 50% of the third quarter charge and approximately 50% of what we’ve seen thus far in October. The first for VADBe is the unhedged portion, so the – as I think you know we don’t hedge for the provision for future partial surrenders.

Doug Simpson:

Right.

Mike Bell:

And between the equity market declining and bond funds, which we also don’t hedge for, about half of the third quarter charge and about half of the estimated loss in October relates to these unhedged items. Then roughly the other half relates to volatility related impacts. So we’ve noted in our critical accounting
estimates that volatility is an important assumption. We’ve seen much higher volatility in the last 60 days than what we’ve seen historically. And that coupled with what we refer to as basis mismatch, which is the difference between the futures that we use as part of the hedging program as compared to the underlying mutual fund performance, the combination of all of those volatility related impacts equates to approximately half of the third quarter charge and also the October estimate at this point.

And then in terms of GMIB, like I said, at this point no material change in annuitization rates but the impact there has been a combination of the unhedged impact of the equity market decline but also the fact that U.S. treasuries, which is a key assumption there, has also declined. So that combination has led to those charges.

Doug Simpson:

So there's been no change in your expectation – or your forecast going forward for either partial surrender rates or annuitization rates?

Mike Bell:

Correct, no material change in the underlying reserve assumptions.

Doug Simpson:

OK. Thanks.

John Rex (JP Morgan):

Thanks. I just wanted to come back to the capital discussion. In particular the decision to keep the capital down as cash stored at the subs. Can you just go through where those subs are now? When I look at authorized control level down there, adjusted capital, it looks like they're pretty adequately capitalized, and I just want to get a little bit of understanding of what's driving that decision.

Mike Bell:

Thanks, John. You're absolutely right. We capitalize our subs well above the regulatory statutory minimums and specifically at this point – while there are a lot of factors, at year end 2008 we estimate that the year-end RBC would be approximately 270% of the company action level, which to your question would be approximately 540% of the authorized control level. So, well above regulatory minimums. Again, obviously lower than what we've targeted historically, which is why we see a path at this point back closer to our long-term target for the full year 2009. And while I don't have a specific calculation for our third quarter, it would be in that ballpark for third quarter as well.

John Rex:

And where do you target? Where do you want those to be?

Mike Bell:

Well, our specific benchmark targets, John, are more sophisticated than just the plain vanilla RBC calculations, and when we review the benchmark capital levels with the rating agencies, again, subject to some moving parts, ballpark would be about 300% of the company action level, so 600% of the authorized control level. Again, I can't emphasize enough, our benchmarks are more specific than RBC, but that would kind of put you in the ballpark.

John Rex:

And just strategically on what's driving that now, I guess in terms of obviously it's not at a level where the regulators would be pushing you to do it. Kind of what drives it in terms of your comfort level and in terms of wanting to boost those – the capital down there?
Mike Bell:

Sure, John. Well, you know the most important consideration that we have is really our ratings. It’s really very important to us in the context of strategically where we’re trying to take the business and meeting our 2009 business plan. The most important thing is to have that strong A rating from our insurance company operating subsidiaries, specifically CG Life. And while I believe we will maintain these A ratings, you know it’s certainly important to the rating agencies and important to us that we increase the capital in those insurance company operating subsidiaries back closer to the longer term certainly before we would do any additional share repurchase.

John Rex:

OK. And just back on the pension contribution quickly again, so what level of contribution did you assume right now as you’re looking out? I know you had the 100 to 600, but did you make an assumption and would the level of that funding impact the pension expense that would be recognized?

Mike Bell:

John, the short answer is yes. We have assumed at this point that we will make a $600 million net after-tax contribution in 2009 from the parent into the pension plan. That’s what’s assumed in our 2009 plan. And that would be what we’ve done historically. That would follow the pattern that we’ve done historically with pension plan funding.

John Rex:

And then if you’d gone at 100 instead, would there be an expense impact then that you’d have to recognize if you’d gone lower?

Mike Bell:

John, I think that’s fair. And again, we’re looking at a wide variety of options. Back to Matt’s earlier question, we believe that would be based on current market conditions, that would be the true current minimum requirement would be that $100 million after tax on a net basis for full year ’09.

John Rex:

OK, but there would have been, at the lower level, there’d actually be an expense impact also – just a GAAP expense, non-cash GAAP expense.

Mike Bell:

That’s correct.

John Rex:

OK. And then just on the medical cost commentary for ’09, just give it a little color more on what you’re seeing in terms of driving medical costs higher over ’08 versus the components and maybe utilization versus unit pricing?

Mike Bell:

John, sure. I’ll start and I’ll ask Marcia if she wants to add. First, at this point, we have assumed in the 2009 plan a 50 basis point up-tick in medical cost trend for the total book of business. And that’s consistent with what we had talked about three months ago. I would not try to be real specific in terms of attributing that 50 basis points back, but overall we think it’s prudent to assume that kind of modest level of acceleration. Marcia, anything you want to add?
Marcia Dall:

Yes, as we look at the 50 basis point up-tick projected for 2009, we believe that would primarily be driven by facility costs – both inpatient and outpatient.

John Rex:

Can you tell us what are you seeing in utilization right now?

Mike Bell:

A modest up-tick, John, but nothing at this point that I would characterize as a sea change in the total book of business.

John Rex:

So, that is coming – if I wanted to break it down, I’m thinking about bed days per 1,000 members, you’re seeing a modest up-tick in bed days?

David Cordani:

Good morning. I would think– on a facility base, about the inpatient side of it, primarily cost. Think about the outpatient side as where the utilization piece of it would come into play. Of course, there’s a cost piece, but I would break the two apart. When putting facility together, it’s inpatient and outpatient. Cost is more pronounced on the inpatient side within that 50 basis point smallish movement. On the outpatient side, more of that would be utilization.

John Rex:

OK. I’m sorry about this. Just one last thing – what are your assumptions for your disability book as you look into ’09? I know you’ve typically talked about in a recession, you can see several hundred basis points of margin deterioration in that book and maybe what you’re seeing right now and your expectation for ’09 that is imbedded.

Mike Bell:

Sure, John. First, our disability results have been very strong on a year-to-date basis, and in fact, the loss ratio’s improved relative to what we experienced in 2008. We have not tried to model a real specific disability deterioration at this point for ’09 other than to say that basically what we’re modeling is lower overall margins for the group insurance book.

I think it’s fair to say that historically, there has been upward pressure on disability incidence. And we expect that could certainly continue into 2009. The good news is on a year-to-date basis for 2008, we’ve done a particularly strong job in our disability claim operations of closing those claims. And I would expect that we’d have good success in 2009, as well. David, did you want to add?

David Cordani:

Yes, good morning, John. Just quickly – so, a little up-tick in presentation levels, but as Mike said, the closure rates are quite attractive. So, what is that? That’s where our return to work programs are at their best. We’ve added some people, both at the clinical and vocational rehabilitation level. That’s kept the pattern both at the end of this year in good check, as well as we project next year. So, it gives a little bit of that margin pressure that Mike made reference to, but the overall outcome is quite good. And again, it pivots off that return to work program.
John Rex:

So, just to be clear so I can get an order of magnitude, so your '09 outlook incorporates flat disability margins or maybe, if you can give an order of magnitude, 200 basis points deterioration, 400 basis points of deterioration? Can I get just an order of magnitude?

Mike Bell:

John, I’d rather not be that specific on the disability loss ratio, but I think it’s fair to say that for guiding towards current estimates for full year earnings in 2009 a low-single digits versus ballpark mid-single digits in terms of top line growth. You could conclude that all in we would expect margins to be down approximately $5 million after tax. Again, not a sea change for all the reasons David described.

John Rex:

Great. Thank you.

Justin Lake (UBS):

Thanks. Good morning. Question – first on the guaranteed cost MLR. Mike, I think if I remember correctly you had kind of spiked that out, expected to be 82% in the back half of this year, but now obviously running higher than that. Can you just give us some color around whether it’s pricing, whether it’s medical cost trend? You know what’s driving that much higher MLR?

Mike Bell:

Sure, Justin. First, you’ve got the numbers in the ballpark. The MLR improved in third quarter, again, not as much as we had expected, and as a result, we’re now expecting a full-year MLR of approximately 84%, which is higher than what we had previously anticipated. And specific to your question on the components, we did see strong rate actions here on July 1 and overall for third quarter. So we did expand prices higher than expected medical cost trend for the third quarter renewals in that 100 to 200 basis point range that we had targeted.

Specifically, we saw a couple other things in third quarter. Benefit buydowns were approximately 200 basis points higher in third quarter than we had projected. At the same time medical costs have run modestly higher for the guaranteed cost book now for nine months versus what we had anticipated, and actually approximately 50 basis points higher than what we’re seeing on the total book of business. Again, the underlying drivers there are primarily utilization driven. I do not see anything there that would drive me to believe that we’re seeing, again, a sea change in the medical cost outlook, but that’s the overall factor here for year to date.

David, did you want to add?

David Cordani:

Good morning, Justin. Just a couple points to remind you, as Mike had previously described, in the first half of the year, we had higher catastrophic claims that were projected not to reoccur in the second half of the year, so that speaks to a portion of the pattern. Secondly, was the renewal pricing execution. Thirdly, you need to remember the aggregate size of the book is relatively small – less than a million lives in total. So, it’s bouncing around a bit and tied to that, as we expected, a bit higher sales in guaranteed cost that we’re seeing in the latter part of the year. That would typically have been smaller case sizes. Those smaller case sizes would have been written at lower loss ratios just because the smaller case sizes are written at lower loss ratios because of the expense contribution. And that also is contributing a little bit to the change in pattern that we’re dealing with here.
Justin Lake:

OK, that’s all very helpful. The second question I had was on the membership side. Just thinking about your 2% membership decline. If we kind of think about versus year end, it’s probably 200,000 – 250,000 members. If I remember correctly, you had talked about Great-West being down 10% alone, which would eat up most of that 2% decline for the company.

I’m just thinking with that plus the guaranteed cost down, what gives you confidence that that two and the economy, what gives you confidence that 2% number kind of encompasses where you need to be?

David Cordani:

Sure. Justin, let me try to put that picture together. So, as we’re stepping into the first quarter, we expect the first quarter and the full year to be about a 2% decrement. So, we’re not anticipating a larger step-down in the first quarter and then an acceleration in overall performance. To put it back in the categories as you just described, for the core CIGNA HealthCare ASO business, we’re expecting to see a slight up-tick – 0% to 1%. For guaranteed cost and experience rated in 2009, we’re expecting to see a decrease between 5% and 10% of their respective total books, and for Great-West, as you recall, slightly greater than 10% – that’s ASO business. When you meld it all together, it’s a 2% decrease.

For our national segment, about 85% of that portfolio occurs in the first quarter of the year. So, as I referenced before, we understand what the sales pattern is there and we understand what the retention pattern is there. And our full year outlook for the experience-rated and guaranteed cost, at least in our current projection, does not expect a material improvement in the latter quarters of the year. If we’re able to do that, we’ll obviously flag that in future calls, but we’re looking at the best available projection through the first quarter, which is a minus two and we expect to see that pattern as being around in line with our overall projection for the full year.

Justin Lake:

What are you using for in-group attrition? What is that running now and where do you see that going next year as far as maybe on a monthly basis?

David Cordani:

Justin, let me try to just put that in perspective. So, the in-group attrition shows up for us in two ways. In prior calls, we flagged it that our net yield on new sales was a bit lower than we had initially expected because the ultimate employment levels that we’re seeing on new business were a little lower as we’re putting on new cases. I think your question goes specifically to month-in month-out in-group disenrollment patterns.

Order of magnitude for our total book of business, that runs anywhere between 2% and 4% in any given year on an all-in basis, and it ebbs and flows depending on the underlying sub-segment – small, middle, national, etc.

We’re expecting in 2009 that that level of performance will be about what we saw in the second half of 2008. But otherwise we’re not projecting a significant up-tick in unemployment levels in 2009; rather continued challenging employment levels coming through our disenrollment levels.

Justin Lake:

OK, what was that level in second half?

David Cordani:

Our second half was running more in that 2% to 4% disenrollment level, so the higher end of the range, as opposed to historically we would have been at the lower end of the range on a more stable basis. So,
if you want to conclude it’s 1% to 2% percent higher of overall membership erosion that has come through with that elevated pattern of disenrollment.

Justin Lake:

OK, great. I’m sorry. Could I just slip in one more? In ’09 just a couple quick numbers questions. I’m trying to figure out why the ’09 Health Care income guidance range is twice as large as it was in ’08. And then on the operating cost reductions, you’re talking about taking a $50 million impact in the fourth quarter. What would be the accretion – would that be accretive to ’09 guidance and could you spike out what that accretion would be if you were to undertake those cost changes?

Mike Bell:

Sure, Justin. First of all, in terms of our range of earnings estimates for 2009, I would acknowledge that it is a larger range than what we’ve done historically. We think that’s prudent, given just how much uncertainty there is in the environment – uncertainty around the competitive conditions, uncertainty around the economy.

So really, what we were trying to flag there is the greater level of uncertainty versus what we’ve seen in prior years.

Justin Lake:

Right.

Mike Bell:

On operating expenses, it’s really too early for us to give you specific projections there. You know as Ed noted, we’re further reducing operating expenses to right-size our organization commensurate with the expected decline in membership as a high priority.

At this point, I would not try to size the specific fourth quarter potential special item, or the potential accretion in 2009. All I wanted to do in the prepared remarks was flag that it’s something that we’re looking at. And obviously, we’ll give additional updates in the future.

Ed, do you want to add?

Ed Hanway:

Yes. The only thing I would add, Mike, is just to reiterate that, given the competitive environment we see, given the outlook for membership that we see, and given the mix of that membership particularly, we are very, very committed to working hard on the expense piece to drive the expense and the infrastructure down, to have a more appropriate per member expense level.

As David noted, we’ve got flat spending built in here while we continue to invest. However, that gives us, with the membership decline, an increase in per member expenses. That’s clearly unacceptable. And to Mike’s point, we have work underway to identify exactly where and how we take those costs out.

I just think it’s a little early for us to be more definitive relative to how much of that benefit is in ’09. But it’s clearly our intention to have a difference in the ’09 expense picture vis-à-vis what we have built into our forecast.

Ana Gupte (Sanford Bernstein):

Thanks. Good morning. My question is around how we should be thinking about growth in your Health Care business in this economy. And the story as I’ve been hearing it is, you’re increasing your prices, you’re experiencing membership declines, which is natural, probably exacerbated by the deteriorating economy.
When I back out some of the premium yields, I see 8% to 9% percent yields on a per month per member basis on the guaranteed cost book.

I was wondering, in addition to just thinking about improving (MLRs) with premium yields, are you looking at what your up-tick is for products in your voluntary book with the Star HRG and CDHPs? Are you looking at new product offerings, so that might in some way give you an opportunity to grow your book and cater to some of the cost management pressures that employers are facing today?

David Cordani:

Ana, good morning. Let me give you two different pieces of the pie.

First, as it relates to growth, it’s important to look at our retention rates first. So, the retention rates we’re seeing as we look into 2009 are actually, overall, consistent with what we’ve seen in the past. So, for the overall enterprise it’s in the high 80s, with national in the low 90s, the regional segment in the mid to upper 80s.

So, point one, the retention rates for our book of business continue to perform well, and even in our important experience-rated book, we’re seeing an up-tick in the retention rates from the 2008 levels.

Secondly, for the ASO portfolio, as referenced previously, we continue to see both – relative to the market conditions – good sales and good retention performance. Where it’s most pronounced is in the guaranteed cost and experience-rated books.

So, to your question, where are the stimulants to drive growth, we’ll give you a couple of pieces to consider.

One, our phased entry into the individual and small – meaning under 50 – employer marketplace is rather important for us. It’s a phased entry, two to three markets per quarter, beginning in the latter part of this year, and it’s critical that we show sustained progress launching into those buyer segments, where we’ve been under-represented, where they are predominately guaranteed cost sales and the packaged sales.

Point two is, as we analyze our Great-West integration activities, we’re rather excited about the ability to bring their ASO and stop loss – now our ASO and stop loss – portfolio to the 51 to 250 life employer, where to date their choice has solely been guaranteed cost alternatives. So it’s a nice alternative for an employer who wants higher transparency, who has a packaged purchase and wants to protect the top side of their losses through the stop loss.

And then finally, we’ve seen good CDHP growth, to the point that you raised. We’ve seen good CDHP growth in the higher end of the middle market, as well as in the national account segment. And as we push into the under 250 employer segment, we’ll be able to bring those CDHP capabilities there. So, we see that as an opportunity looking forward.

Mike Bell:

The only piece I would add – just back to your earnings summary that you started with before asking about the membership growth – I would just reinforce the fact that Great-West is obviously a source of significant earnings growth for us in 2009, as we had anticipated.

And with a substantial margin improvement coming primarily from giving their members – now our members – access to stronger medical costs, as well as some operating expense reduction. So remember, that’s an important part of the earnings growth equation for us for 2009.

And it’s early, but we expect further improvement in that area in 2010, and obviously, more updates on 2010 in the future.
Ana Gupte:
OK, thanks. I just had a follow-up on that. From the individual book, what should we be thinking about in terms of membership growth as you’re rolling out these products, you know state by state for ’09?

David Cordani:
So important to put in context; the individual book you should think about is starting at a base of close to zero, because we’ve historically not played up in that space.

In 2009, our expectations would be to grow that book on a net basis in the 30,000 to 55,000 member range for overall net growth. So, there’s not a large skyhook there, but when you’re counting them one at a time, let’s say a significant amount of growth.

And as I said, it’s a phased entry. The first few markets were entered into the third quarter of 2008, additional markets in the fourth quarter of 2008, and then additional markets playing through in quarters going into 2009.

Charles Boorady (Citigroup):
Thanks. Good morning. First question just on the Health Care business. I noticed a significantly lower tax rate. I wonder if that’s going to stick going forward.

And also, in Health and Other, the investment income was a lot higher than I expected. And as a percent to cash and investments, it seems to have gone up, which is out of synch with the rest of your peer group where, because of lower interest rates, investment income has been significantly lower as a percent of cash and investments.

So, I just wonder how to project that also going forward, and if there was anything unusual that benefited that item in the quarter.

Mike Bell:
Charles, first, in terms of the tax rate, I would suggest that it would be more appropriate to model something closer to our historical tax rate going forward. The third quarter Health Care tax rate, in particular, benefited from some amended state tax filings that, one in particular, hit all in the quarter.

So, I would suggest that you model what we’ve had historically there in Health Care, in the 35% to 35.5% range going forward.

On net investment income, again, that bounces around quarter to quarter. Again, I would suggest that you use something more like a rolling average, on a year-to-date basis to project that going forward.

The major driver of our investment income in 2009 will be much more driven by asset levels than swings in interest rates, since, in fact, our investment portfolio is reasonably long in duration in aggregate.

Charles Boorady:
To what extent is price hardening for January 1 renewals in the national and regional businesses?

Mike Bell:
I’ll start, and I’ll ask David if he wants to add. First of all, on the regional side, in particular for guaranteed cost and experience-rated, it’s still pretty early to be real definitive about 1/1. Specifically, we have approximately a third of our guaranteed cost 1/1/09 renewals at this point have been resolved. So, two-thirds of the precincts have not reported, if you will.
But based on what we’ve seen thus far, I would not characterize 2009 as a hardening pricing environment versus what we’ve seen in 2008. And obviously, that’s reflected in our updated forecast for full year 2009 earnings, as well as full year membership.

David, do you want to add?

**David Cordani:**

No, Charles. I’d just reinforce Mike’s point. Consistently, we’ve seen it as a competitive market. There might be individual states where there is a little bit of activity, but too soon to declare an environment of hardening.

**Charles Boorady:**

OK. And just finally for a point of clarification, in response to one of Rex’s questions on the ACL versus CAL, and why you might need to put more capital in, even though, according to the RBC calculation, things look OK.

Just so I understand it, is this because RBC relies on the rating of the investments you hold to establish the value, whereas the market value may be significantly below the value that RBC would determine?

**Mike Bell:**

Charles, no, that is not a material driver in the capital issue. The primary driver of the capital adequacy here for 2008 and 2009 is driven by our benchmark capital targets that we’ve reviewed with the rating agencies.

So, it really is based upon long term, how we expect to capitalize our business in these operating subsidiaries, and is not primarily investment management driven – Ed?

**Edward Hanway:**

Yes, the only thing I would add, Charles, is remember our mix of business relative to the extent to our ASO business here. And so, our profile is somewhat less risk intensive.

**Brian Wright (Bank of America):**

Thanks. Good morning. Could you give us the actual authorized control level at CIGNA Life and the current statutory level of that subsidiary?

**Mike Bell:**

Brian, let’s see. You’re specifically referring to CG Life?

**Brian Wright:**

Yes.

**Mike Bell:**

For CG Life at September 30, we estimate that the overall statutory capital on a rating agency basis for calculations was approximately $2.4 billion.

We don’t specifically calculate the authorized control level on a quarterly basis, but we would expect that, at year-end 2008, our overall – on a consolidated basis – statutory capital to be approximately 540% of the authorized control level, or approximately 270% of the company action level.
Brian Wright:

OK. But you won’t give us that number for CG Life?

Mike Bell:

Well, in terms of year-end 2008?

Brian Wright:

Yes.

Mike Bell:

At year-end 2008, I wouldn’t expect it to be materially different. It’ll likely be down a little bit, because of the fourth quarter anticipated items. But if you assume for CG Life at year-end, that it was in the $2.25 to $2.3 billion range, you’d be pretty close.

Brian Wright:

And your RBC level for CG Life wouldn’t be that different from the $540 million? It’d be lower than that, but would it be in the fours?

Mike Bell:

Oh, God, no. No, it would be modestly below the $540 million but it would be pretty close to that.

Brian Wright:

And then, the reason – the primary reason you have to have it at a higher level is because that’s where you’re running your life business. And what’s kind of the level you need to have that at for your life business?

Mike Bell:

Well, just to be clear …

Brian Wright:

To keep the A rating that you’re targeting?

Mike Bell:

So, a couple of things. First, it’s not primarily the life business that we’re concerned about. What we’re really concerned about is having capital over time overall in our operating subsidiaries to support a strong A rating for these insurance company operating subsidiaries.

And while the rating agencies would not give you a bright line that, you need X amount for an A rating, and if you drop down to a Y level, you’d be at, BBB or Baa for Moody’s.

The point is that, over time, we would expect to be much closer to that 300% of company action level, or 600% of the authorized control level.

Again, I would not try to speak for the rating agencies. I think it’s something like the 270% level, as long as they understood – which I believe they do understand – that we’re committed to returning to those targeted capital levels over a reasonable period of time. I don’t anticipate that being a rating agency trigger.
Now again, as I mentioned earlier, it obviously has an impact on 2009 projected parent company cash flows, and it means that we do not have repurchase capacity – or don’t expect to have repurchase capacity – in 2009.

Peter Costa (FTN Midwest Securities):

Yes. A question on pricing. You’re raising price above cost trend, and your margins are going up. So, the market didn’t really get worse, did it? People just didn’t follow your lead to raise prices. Is that correct?

Mike Bell:

Peter, I think that’s fair. I think it certainly is tougher in some places than others.

Where we have seen increasingly challenging conditions here in 2008 as we’ve gone through the year and we anticipate that staying the same in terms of 1/1/09, is at the lower end of the market, which primarily impacts our higher margin products, guaranteed cost and Experience Rated.

Ed, do you want to add?

Ed Hanway:

The only thing I was going to add is, Peter, I think that’s a good representation.

The other thing – David made this point earlier. Our retention rates have actually been pretty good, so we’ve been very focused on maintaining the book of business effectively and getting that book of business to an appropriate margin level.

Mike’s point is right. We’ve seen less success in the lower end size of the market. We’ve also seen less success with new business.

So, I think, as a reflection of the competitive state of the market, people who have us like us. We can get good margins there. We’re very comfortable with that book of business. It’s simply that we haven’t seen the level of new business across that book that we would ultimately like, and I think that’s reflective of the competitive nature of the market.

Peter Costa:

OK, and then on the pension funding. Another one of your competitors chose oppositely, rather than to sort of refill the coffers of the pension funds, to take the charges sort of on an ongoing basis going forward in terms of pension expense. I think mathematically it’s probably better to use the billion dollars of cash that goes away anyway when you fund the pension permanently to repurchase shares as opposed to refunding the pension. Why did you choose what you chose, or to do the refunding?

Mike Bell:

First of all, we are evaluating options, so we’ll provide updates in the future. Again, what I characterized for you in my prepared remarks is what’s built into our current 2009 plan. I’m not going to try to give you a lead pipe block here that that’s all locked in here for 2009. We are going to continue to evaluate options and we’ll give you updates on any of those options in the future.

Second, I would point out that contributions to our pension plan is not throwing that billion dollars away, to use your words, but in fact would be invested in investment management assets including equities, which several of us believe – and even Warren Buffet would say that this is a good buying opportunity. So I would not characterize it as going away. And at this point we would prioritize higher targeting our pension plan at historically funded levels – we would target that as a higher priority than share repurchase at this point.
Scott Fidel (Deutsche Bank):

Thanks. First question. Just to nail down an actual number for your pricing yield expectations for 2009 in the GC. So we assume that’s at 7.5% to 8.5%, just 50 basis points above the 7% or 8% cost trend guidance?

Mike Bell:

Yes, that’s a fair assumption for full year ’09.

Scott Fidel:

OK. Then just relative to the experience-rated business, if you can update us on the percentage of accounts in deficit in the third quarter, how that tracked relative to second quarter. And then also in terms of on renewals for 2009, what percentage of the accounts in deficits are looking to renew for 2009.

Mike Bell:

Sure, Scott. First, in terms of the deficit balances here at third quarter 2008. Not materially different than where we ended second quarter of 2008, which net-net is a good thing, and in fact better than we had anticipated. At this point, we ended third quarter 2008 with approximately 34% of the active cases in deficit. So same as 2008 – excuse me, as the second quarter of 2008. The cumulative book to business deficits for the active cases stands at 150 million in third quarter versus 151 million at second quarter. So the good news there is that we saw a relative improvement in the pattern of deficits in the third quarter versus second quarter, which is obviously the biggest contributor to the improved loss ratio for the experience rated book.

And again, that was driven by – well, there’s certainly some medical costs relative to what we’ve seen historically, but it was also driven by strong rate execution in underwriting in the third quarter. We achieved in the 9% to 10% range for the third quarter renewals. That’s the kind of level that we’re targeting here for first quarter on the renewal book. And hence we do expect full year 2009 to show margin expansion in the experience rated book versus what we saw here in full-year ’08. Now, that will come at some cost in terms of membership. But overall we expect to continue down that track. David, anything you want to add?

David Cordani:

Scott, good morning. Specific to your retention question. As Mike said, for 1/1 not all the precincts are reported in yet. But as we look forward to ’09, we expect to see based on what’s renewed to date a meaningful improvement in our retention rates overall for the experience-rated book from 2008 to 2009. Therefore, you should expect to see both an improvement in cases in surplus as well as those that are in deficit. Said otherwise, for us to improve the margins in the latter part of 2008 and then into 2009, we need to renew those deficit cases and recover a bit of those deficits, which is in line with our expectations.

Scott Fidel:

And just one last follow-up question just around International business, and if you could hone in a bit on your top line growth expectations for International for ’09, and then maybe just talk a bit in terms of the global economic slowdown, what type of assumptions you’re assuming for revenue growth around the expat business relative to International health and life products.

David Cordani:

Sure, Scott. So the portfolio is broken up into two components, the expatriate component and the LA&H component. For the expat portfolio, we expect in 2009 to see continued strong retention rates. So growth from retaining the business, continued strong retention rates, as well as new sales to generate some attractive top line growth there. So a healthy outlook for the top line performance of that book of business.
For the LA&H portfolio, we expect to see another step-up in what we call annualized new premiums or new sales as we look into 2009, not driven by – important to note – not driven by any one country, although as we said in our prepared remarks South Korea represents our largest individual country. And we’re seeing a good uptake in the health, supplemental life and other products more broadly.

And finally, for the LA&H portfolio, the 2009 outlook has an expectation of retention rates for those individual policy holders about at a level that we saw in 2008. So increasing the top line with new sales, retaining business at a consistent rate for the LA&H portfolio, as well as for the CIEB portfolio, consistent retention levels and good new business sales.

Ed Hanway:

Yes. Scott, the only thing I would add to David’s, it’s interesting. Remember the products in the individual life, accident and health are fairly low cost, simple products, which interestingly we have seen historically when economies that may be more challenged actually have some benefit because they are lower cost and people oftentimes will view them as alternatives to what they might have done otherwise. So I wouldn't say they are recession proof or depression proof. They are certainly products that seem to have reasonably good demand through ups and downs of economic cycles. And when you combine that fact with the fact that we are expanding in terms of the markets and the sponsors that we’re working with, it gives us the opportunity to continue to expect some pretty reasonable growth.

Greg Nersessian (Credit Suisse):

Hey, good morning. Most of my questions have been answered. I just wanted to understand the pension contribution again. I guess the 600 million, did you say that gets you to your fully funded status or – I guess if not, how close to your fully funded status would that get you. And then what is built into your own on guidance in terms of a potential capital raise I guess in terms of interest expense. Are you assuming your rate on that capital externally, and what kind of rates I guess?

Mike Bell:

Sure, Greg. Let me answer your second question first, then I’ll come back to your first one. The 2009 earnings estimates assume that we raise an additional $500 million in longer term debt¹. Now, that’s an assumption. And obviously we’ll update that as we go through the year. But we assume that we will raise $500 million of external long-term debt¹ and that that will replace the current commercial paper outstanding. That’s what’s built into the earnings.

And in terms of the interest rate that’s assumed there, if you thought something in high single digits you would not be far off. And again that’s what’s built into the earnings numbers.

In terms of the pension plan in particular, what I described in my prepared remarks, which would be a $600 million net after-tax contribution from the parent company into the pension plan, would not fully fund the plan, but it would increase the funding levels of the plan back to what we’ve done historically. So specifically it would assume that we would – as we’ve done historically – that we would fund up to the 80% and then grade from the 80% funded level to the 100% over a period of years. And that’s what we’ve done historically.

Greg Nersessian:

OK, that’s very helpful, and then just a last quick question. The fair value of the assets you provided in this schedule are very helpful. It declined less than I sort of expected it to have, particularly maybe the corporate bond in the financial services segment. So just wondering, I guess, what percentage of these are – of these assets that you listed here -- are sort of tier one that are based on market prices versus based on your estimates.
Mike Bell:

Sure, Greg. First, the majority of our fixed investment portfolio are in fact calculated based on tiers two and three pricing calculations and not literally tier one. Having said that, we believe that our tier two pricing, for example for the private placements, continues to be appropriate. And I would not try to use tier one versus tier two as a determination of your confidence level in those underlying prices.

END

¹ Please see CIGNA's press release dated October 31, 2008 and filed with the Securities Exchange Commission on Form 8-K for additional information concerning issuance of long-term debt.