CIGNA CORPORATION

FIRST QUARTER 2009 INVESTOR TELECONFERENCE
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H. EDWARD HANWAY – CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DAVID M. CORDANI – PRESIDENT AND CHIEF OPERATING OFFICER

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NOTE: CIGNA has made editorial changes to this transcript.

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

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

The Company and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company's filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management's beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company's productivity initiatives, litigation and other legal matters, operational improvement in the health care operations, and the outlook for the Company's full year 2009 results. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe", "expect", "plan", "intend", "anticipate", "estimate", "predict", "potential", "may", "should" or similar expressions.

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

1. increased medical costs that are higher than anticipated in establishing premium rates in the Company's health care operations, including increased use and costs of medical services;
2. increased medical, administrative, technology or other costs resulting from new legislative and regulatory requirements imposed on the Company's employee benefits businesses;
3. challenges and risks associated with implementing operational improvement initiatives and strategic actions in the ongoing business 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, (v) lowering administrative costs, and (vi) transitioning to an integrated operating company model, including operating efficiencies related to the transition;
4. risks associated with pending and potential state and federal class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company's businesses, government investigations and proceedings, and tax audits;
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 under certain variable annuities (including possible market difficulties in entering into appropriate futures contracts and in matching such contracts to the underlying equity risk);
11. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating the Company's liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
12. adjustments to the assumptions (including annuity election rates and amounts collectible from reinsurers) used in estimating the Company's assets and liabilities for guaranteed minimum income benefits under certain variable annuities;

13. significant stock market declines, which could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and 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 and other documents filed with the Securities and Exchange Commission include both expanded discussion of these factors and additional risk factors and uncertainties that could preclude the Company from realizing the forward-looking statements. The Company does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Ted Detrick (Vice President, Investor Relations):

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

In our remarks today, Ed Hanway will begin by briefly commenting on CIGNA's first quarter results. David Cordani will provide his perspective on the first quarter results and the full year outlook for CIGNA's ongoing businesses. He will also discuss our medical membership results and outlook and provide a current assessment of the health benefits marketplace. Mike Bell will then review the financial details for the quarter and provide the financial outlook for full year 2009. Ed will then share some thoughts on the topic of healthcare reform before we open the lines for your questions.

As noted in our earnings release, CIGNA uses certain financial measures which are not determined in accordance with generally accepted accounting principals or GAAP, when describing its financial results. Specifically, we use the term labeled “adjusted income from operations” as the principal measure of performance for CIGNA and our operating segments. Adjusted income from operations is defined as shareholders’ income from continuing operations excluding realized investment results, special items, and the results of our Guaranteed Minimum Income Benefits (GMIB) business. A reconciliation of adjusted income from operations to shareholders’ income from continuing operations, which is the most directly comparable GAAP measure, is contained in today's earnings release which was filed this morning on Form 8-K with the Securities and Exchange Commission and is also posted in the Investor Relations section of cigna.com.

In our remarks today, we will be making some forward-looking comments. We would remind you that there are risk factors that could cause actual results to differ materially from our current expectations. Those risk factors are discussed in today's earnings release. Before turning the call over to Ed, I will cover a few items pertaining to our disclosures and first quarter results. Effective this quarter, CIGNA adopted two new accounting standards.

First, we adopted Statement of Financial Accounting Standards No. 160. This statement requires us to separately disclose the financial effects attributable to CIGNA's investment in non controlling interests. The adoption of this Statement had no material effect on shareholders’ net income or shareholders’ equity.

Second, we adopted the Financial Accounting Standards Board Staff Position that requires unvested restricted stock awards that contain rights to non-forfeitable dividends to be included in the calculations of both basic and diluted earnings per share (EPS). Adoption of this statement did not have a material impact on our earnings per share calculations for our first quarter 2009 results and we have restated prior period EPS information to reflect the adoption of this standard. I would note, however, that adoption of this statement had the effect of reducing our full year 2009 earnings per share outlook by about $0.05 per share.

Finally, the Financial Accounting Standards Board recently amended Statement of Financial Accounting Standards No. 157, which provides additional guidance regarding fair value measurements. CIGNA will adopt this standard in the second quarter of 2009 and we do not expect a material impact to our financial condition or disclosures upon adoption of this Statement.

In regards to earnings, our first quarter results included an after-tax benefit of $20 million related to the completion of an IRS examination. This benefit was reported as a special item and therefore, is excluded from adjusted income from operations in today's discussion of results.

Relative to our Run-off operations, I note that CIGNA's first quarter shareholders’ net income included after-tax income of $23 million or $0.08 per share related to the GMIB business. I remind you that the impact of Statement No. 157 reporting on our GMIB results is for GAAP accounting purposes only. We believe that the application of this Statement does not represent management's expectation of the ultimate liability payout. Because of Statement No. 157, CIGNA's future results for the GMIB business will be more volatile as any future change in the exit value of GMIB's assets and liabilities will be recorded in shareholders’ net income.

CIGNA's 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 Statement No. 157.

With that, I'll turn it over to Ed.

Ed Hanway (Chairman and CEO):

Thanks, Ted. Good morning, everyone.

First quarter 2009 adjusted income from operations was $188 million, or $0.69 a share, and this included losses of $0.18 a share from the Run-off Variable Annuity Death Benefit (VADBe) operations, driven primarily by unfavorable equity market performance.

In the quarter, earnings from our ongoing businesses, that is our Health Care, Group Disability and Life and International operations, reflect sound execution of business fundamentals as well as the current challenging economic times.

For Health Care, first quarter earnings reflect improved margins due to the effect of pricing actions on our guaranteed cost and experience-rated books of business, coupled with favorable medical management results. These positives were tempered by declines in membership and lower net investment income. It is important to note that the first quarter Health Care result is on track with the earnings pattern which supports our full year outlook. The Health Care earnings pattern reflects a significant ramp up in earnings throughout the year. David and Mike will provide specifics regarding the earnings levers, particularly around operating expenses that drives this outlook.

Group Insurance revenue growth and margins remain competitively strong however, first quarter results were below expectations due to unfavorable disability and life claims experience as well as lower net investment income. International first quarter results reflect continued attractive top-line growth, offset by the adverse impact of currency movements.

Overall, our investment portfolio continues to perform well despite challenging market conditions. We believe that this is a direct result of maintaining our investment discipline. In addition, we have a strong balance sheet and the financial flexibility to weather the current challenges in the capital markets. I would note that both Moody's and S&P recently reaffirmed the financial strength of our operating subsidiaries. We view this as providing further support that our capital position is strong.

Regarding our 2009 outlook, we now expect our full year 2009 EPS estimate to be in a range of $3.70 to $3.90, which assumes breakeven results for VADBe for the remainder of the year. This outlook is lower than our previous estimates principally due to the first quarter VADBe charge as well as a decrease in the outlook for our Group Insurance business. The outlook for our Health Care business is unchanged. We continue to place a strong emphasis on identifying additional opportunities to further improve our earnings for 2009, with a specific focus on reducing operating expenses. David will address our progress in this area in a few minutes.

After David and Mike discuss the quarter and full year outlook in more detail, I'll then comment on the very important topic of healthcare reform and its potential impact to CIGNA. The headline message is that while the ultimate outcome of reform is difficult to predict, we feel that CIGNA is positioned to adapt to and capitalize on any potential opportunities from the evolution of healthcare in the U.S.

I'll now turn it over to David.

David Cordani (President and Chief Operating Officer):

Thanks, Ed, and good morning, everyone.

Today I'm going to review some brief highlights relative to our first quarter results and comment on our full year 2009 outlook for our ongoing businesses. I'll then offer some perspective on the current conditions in the health benefits marketplace. Finally, I'll provide an update on the actions we're taking to further enhance our competitiveness as we continue to build for sustained profitable growth.

Let me start with the Health Care results. First quarter 2009 HealthCare earnings reflect favorable margins on risk-related products due to effective pricing actions, coupled with strong medical management results, partially offset by lower risk base membership and lower net investment income. We maintained our pricing discipline and generated premium yields in excess of medical cost trends for both guaranteed cost and our experience-rated books.

Our aggregate medical membership decline of 2.7% was generally inline with our expectations, reflecting higher levels of disenrollment. Importantly, our client retention rates remained strong in aggregate, validating that our capabilities and value proposition continue to resonate well in the marketplace. Our service delivery was strong and consistent as we managed good results for employers, individuals, doctors, hospitals, and producers. Overall, our first quarter Health Care results reflected solid execution of the fundamentals, and we remain confident that we will achieve our full year expected earnings.

Turning to Group Insurance, results were mixed. Earnings in the quarter reflect unfavorable disability and life claims experience, lower net investment income and the unfavorable impact related to a catastrophic claim. Disability premiums and fees grew by 9% year-over-year despite a very competitive marketplace and challenging economic environment. This result demonstrates that our disability management value proposition, which focuses on helping people return to work more quickly, continues to be received very well in the marketplace. Overall, our Group Insurance results continue to be competitively attractive.

Our International business results include the net unfavorable impact of foreign currency movements, primarily due to the South Korean Won. In local currency terms, earnings in the quarter reflect strong margins in the Life, Accident, and Supplemental Health insurance business, as well as continuation of solid Expatriate benefit results. We continue to see good demand for our supplemental health insurance products as the growing middle class in Asian markets look toward alternate solutions to fill gaps in coverage that are left by local government programs.

Now let me provide some perspective on the current conditions in the health benefit marketplace and the potential impact of those conditions on our business. The challenging economic times have employers looking for solutions to help further manage their medical costs. These solutions are best delivered by matching competitive physician networks with base level clinical management programs. Then employers can either continue to shift more cost to their employees, reduce benefits, or align benefits and supporting capabilities to encourage health improvement and informed purchasing by their employees.

We have seen some powerful results for employers and individuals when effective health improvement programs are designed and delivered. Recently, we have seen increased interest in supporting capabilities including on-site clinical delivery for employers, as well as web-based coaching and care delivery.

In this environment, CIGNA is well-positioned to meet employers' needs. Our approach is one of leveraging our knowledge of our customers and their employees to design benefit plans that align incentives and drive engagement of individuals to improve their health, which ultimately leads to cost savings for both the individual and the employer.

In addition, for small employers who do not want to be part of a risk pool, we have the ability to meet their needs through our unique product offering which combines ASO and stop loss programs with innovative reporting and insights for employers. Finally, while the pricing environment remains competitive, our strategy is to continue our discipline of balanced growth and profitability.

I'll now provide an overview of our full year 2009 outlook for each of our ongoing businesses, starting with HealthCare. The headline is our outlook remains unchanged for earnings. We continue to expect full year 2009 HealthCare earnings to be in a range of $700 million to $760 million.

From a membership perspective, we now expect Health Care medical membership to decline by 3% to 4% in 2009, a modest uptick from our prior outlook of -3%, reflecting the continued challenging economic environment. We remain on track to deliver a strong medical cost result for our overall book of business, including a material improvement for the Great West book of business.

For the Great West book, as targeted, about two-thirds of the total medical cost improvement was completed by the end of the first quarter, and we continue to anticipate greater than 90% to be completed by year-end 2009.

As we look to the full year outlook, we continue to expect Health Care earnings to increase meaningfully throughout the year due to a number of expense-related actions and other profit drivers, which Mike will discuss in more detail in a moment.

In addition, we're taking actions to further improve our Health Care performance and I'll next provide an update into the five areas I mentioned last quarter.

First is new product development. We have recently developed a number of leaner risk product offerings that we expect will accelerate growth in the second half of 2009. In many markets, these products, which are more competitively positioned, will be available in the third quarter. These improvements are driven by benefit designs that incent and encourage healthy behavior. In addition, they include features such as higher coinsurance amounts and leaner pharmacy benefits.

We've also made changes to simplify our experience-rated offering, which is unique in the marketplace as it provides our customers with the opportunity to participate in their claims experience and obtain cash flow benefits while retaining full insurance protection.

Second, we continue to make progress toward improving our total medical costs. In 2009 we have further invested in resources to favorably impact specific medical cost drivers. We expect to deliver meaningful improvements through lower utilization and unit costs in the following areas: outpatient professional fees, specialty injectables, and implantable devices. Part of this improvement will be accomplished by offering targeted information and coaching to channel members to high quality, more efficient providers.

Third, we've identified our state and local government, as well as Taft-Hartley segments, as opportunities for additional cross-selling in 2009. Customers in these segments typically have long-term relationships and have historically only purchased core medical coverage during the initial sale thus creating significant specialty penetration opportunity upon renewal.

Our fourth area of focus is market expansion. We remain committed to growing our segments, with particular focus on the Individual and Select segments with Select representing employers with 51 to 250 employees. In regard to the Individual segment, we are currently selling in five markets and plan to enter an additional five markets by year end. To date, the response from brokers regarding our Individual capabilities has been very positive, indicating that there is strong market demand for our solutions. In the Select segment, we have the unique ability to grow through our differentiated product offering that we acquired through Great West, which combines features of risk along with fee-based funding options. We expect these capabilities, along with our new leaner product offerings, will drive new business growth in this segment.

Finally, I'll provide an update on operating expense reduction initiatives. In regards to our fourth quarter charge, we are on track to realize our targeted savings in 2009. We have made good progress in executing the actions necessary to achieve these savings and expect to benefit from these actions to improve our quarterly earnings pattern through the balance of the year. In addition, we are planning on taking additional actions during 2009 to further reduce our operating expense run rate and improve our competitive position in the marketplace.

We expect to be in a position to dimension these actions and the related costs and benefits on our second quarter 2009 earnings call. Areas that will drive further expense reduction include: improving our purchasing through vendor consolidation and lowering service utilization further opportunities for employment-related cost reductions ongoing efficiencies achieved through effectively applying technology and leveraging our fixed cost infrastructure, specifically real estate.

Let me emphasize that while we are aggressively seeking opportunities to reduce expenses, we remain committed to maintaining: our service levels for the benefit of our customers our commitment to clinical excellence for the benefit of our customers and our commitment to invest prudently in technology for sustainable automation and efficiency gains.

In summary, the fourth quarter reduction charge was a first installment, and we are continuing our process of driving further operating expense reductions.

Turning to Group Insurance, as I referenced earlier, our first quarter results were impacted by loss ratio pressure and lower investment income. While the fundamentals of our book remain competitively strong, this reduces our full year outlook by $15 million. Overall, we expect the impact from the economic downturn on our Group Insurance results to be manageable, as our book favors recession resistant sectors, such as government, education and healthcare industries. In addition, we continue to add clinical resources to address the impact of the economic slowdown.

For International, excluding the impact of foreign currency exchange, our outlook remains unchanged. We continue to expect full year 2009 earnings to grow by double digits on a local currency basis. We continue to see attractive growth opportunities in our Life, Accident and Supplemental Health business, especially in Asia.

In this business, we offer individuals simple, affordable risk-based insurance products, such as hospital cash, critical illness, and personal accident coverage that provide a fairly low cost way for individuals to attain health and financial security. Relative to Expatriate benefits, we anticipate good growth opportunities now and in the foreseeable future as more companies seek to expand and diversify their market position throughout the globe.

To wrap up my prepared comments, in the face of a very challenging global economic environment, we remain on track to deliver good results. We are doing so by remaining committed to consistent and effective service and clinical results as we seek to provide cost-effective solutions for employer customers and the individuals we serve. Our client and individual retention rates remain attractive and we are beginning to see some growth emerge in targeted areas. We are taking the steps necessary to ensure our ongoing competitiveness for the near and long term. Lastly, we remain committed to deliver our 2009 outlook.

At this point, I'll turn the call over to Mike.

Mike Bell (Chief Financial Officer):

Thanks, David. Good morning, everyone. In my remarks today, I'll review CIGNA's first quarter 2009 results. I'll also provide an update on our full year outlook.

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

Our first quarter consolidated earnings were $188 million, or $0.69 a share, compared to $265 million, or $0.93 a share, in 2008. By way of summary, our first quarter Health Care results include the favorable impact of our acquisition of the Great West book and improved guaranteed costs and experience-rated margins. While earnings for the Group Disability and Life and International segments were below our expectations, both businesses continued to deliver competitively strong results. I'll now review each of the segment results beginning with Health Care.

First quarter Health Care earnings were $154 million. Year-over-year earnings growth reflects our acquisition of the Great West book and improved margins on risk-related products due to effective pricing actions and favorable medical costs. These positive contributors were partially offset by lower medical membership and lower net investment income.

Our guaranteed cost medical loss ratio (MLR) was 82.8%, excluding our voluntary business. This result was better than we expected, primarily due to favorable medical costs and strong pricing and underwriting execution.

Experience-rated earnings also demonstrated year-over-year margin improvement, driven by strong execution of our underwriting actions, which generated pricing yields that exceeded medical trend. This year-over-year improvement also reflects the absence of the loss on the non-medical case we discussed last year.

Our ASO book of business benefited from strong stop loss results including the acquired Great West book.

Health Care membership declined by 2.7% in the quarter, and the losses were more heavily weighted toward our risk-related products. Health Care premiums and fees for the quarter increased 8% primarily due to the Great West acquisition and rate increases, partially offset by a decline in guaranteed cost and experience-rated membership.

To recap, Health Care earnings were higher than the first quarter of last year due to the acquisition of Great West and improved margins in our guaranteed cost and experience-rated products, tempered by lower membership and lower net investment income.

Now, I'll discuss the results of our other segments. First quarter 2009 earnings in the Group Disability and Life segment were $58 million. Excluding the benefit of the reserve reviews, Group's results reflect unfavorable disability and life claim experience, lower net investment income and the unfavorable impact of one catastrophic aviation claim. While we experienced some uptick in the disability and life loss ratios in the first quarter, we do not expect the first quarter result to be our run rate for the remainder of the year.

In our International segment, first quarter 2009 earnings of $41 million include an unfavorable $9 million after-tax impact from foreign currency changes compared to the same period last year. This is primarily due to significant currency movement in South Korea, CIGNA's largest non-U.S. market. Excluding the adverse impact of foreign currency, International experienced attractive top-line growth, although there was some pressure on persistency in Korea and Taiwan, which is likely to be the result of economic conditions.

The diversification of our earnings streams from our Group and International businesses continues to be an important positive for our consolidated results.

Earnings for our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, totaled to a loss of $65 million for the first quarter. This includes a $47 million after-tax impact related to reserve strengthening for our VADBe product.

Of the $47 million charge, approximately $25 million was due to the decline in equity markets, primarily reflecting an increase in our provision for future partial surrenders. The impact from volatility was relatively insignificant in the quarter at only $7 million after tax. This was obviously much improved compared to the $83 million after-tax impact in the fourth quarter of 2008. In addition, the impact of lower short-term interest rates and unfavorable bond fund performance, both of which are unhedged, contributed approximately $15 million after tax to the loss in the quarter.

I'll now comment on our investment portfolio results. Overall, our investment portfolio continues to perform well. Our first quarter net realized investment losses totaled $24 million after tax, including $7 million of losses related to credit impairments. We view this as a strong outcome given the challenging market conditions.

Net investment income in the quarter was $21 million after tax below the fourth quarter 2008 actual results. This decline largely reflected the adverse impact of widening credit spreads on our investments in certain funds which invest in private company and real estate mezzanine debt.

These investments represent less than 2% of our total portfolio and are reported as other long-term investments on our balance sheet. The decline in their carrying value reduced net investment income by $15 million after tax in the first quarter as compared to the fourth quarter of 2008.

Overall, we do not consider the first quarter net investment income to be the run rate for the remainder of the year, since we do not expect additional material carrying value declines in these funds over the balance of 2009. However, we are now projecting lower overall investment income for full year 2009 given the first quarter actual result.

Now, regarding our current commercial mortgage portfolio of $3.6 billion, first quarter performance remained strong. Overall, our mortgage portfolio continues to be well diversified by property type, with the highest concentration in office buildings and the lowest concentration in retail. Consistent with last quarter, we have one $59 million problem loan in the commercial mortgage portfolio. All of the other loans in this portfolio are fully performing. To date, we have not written off any portion of this one problem loan, as we continue to believe that the market value of this particular property is greater than our loan value. Overall, we continue to be pleased with our investment management results relative to current market conditions.

I'll now discuss CIGNA's capital management position and outlook, including a summary of our subsidiary capital and our parent company liquidity. By way of summary, we continue to have a strong balance sheet and good financial flexibility. Recently, both Moody's and S&P reaffirmed the financial strength ratings of our main operating subsidiaries. We view this as further evidence of our strong capital position.

We ended 2008 with approximately $3.5 billion of statutory surplus in our domestic subsidiaries and a consolidated risked-based capital (RBC) ratio of approximately 550% of the authorized control level. Both the RBC ratio and the overall level of surplus are far in excess of regulatory minimums. Consistent with our previous discussion, we expect to manage our 2009 subsidiary dividends to increase our subsidiary capital to a level that's closer to our long-term targets.

Now I'll review our parent company liquidity. We ended first quarter with cash and short-term investments at the parent of approximately $50 million and commercial paper borrowing of approximately $375 million.

During the first quarter, we made a $300 million pre-tax contribution to the pension plan and will receive the tax benefits associated with the first quarter contribution during the remainder of the year.

With respect to the full year outlook, I would first note that there is no change to our expectations for full year 2009 subsidiary dividends or the expected year-end 2009 parent cash balance. We began the year with approximately $90 million in parent company cash. For the full year, we continue to expect subsidiary dividends of approximately $520 million, consistent with our February estimate. This reflects our plan to retain more earnings in the subs to increase capital to a level that is closer to our long-term targets.

Also consistent with our February estimate, we expect the pension plan funding to result in a net after-tax use of parent company cash of approximately $130 million for the full year. All other sources and uses of cash for the full year, other than pension funding requirements, are currently expected to be a net use of $250 million to $300 million.

I would remind you that we do not anticipate having capacity for share repurchase in 2009. As a result, we currently expect our year-end 2009 parent company cash balance to be approximately $200 million. This assumes no material change in the company's total debt levels. Assuming credit market conditions are stable, we expect to issue long-term debt to repay our outstanding commercial paper. I'd also remind you that we have no long-term debt maturing until 2011. Overall, our current capital outlook remains positive.

I'll now review our earnings outlook. For full year 2009, we currently expect consolidated adjusted income from operations of $1.02 billion to $1.08 billion, which is lower than our previous range of $1.08 billion to $1.15 billion. We now expect full year EPS in a range of $3.70 to $3.90 a share, compared to our previous estimate of $3.95 to $4.25 per share.

This updated outlook includes the first quarter VADBe charge and assumes that VADBe is breakeven for the remainder of the year, since we believe our current reserve assumptions are appropriate. While Run-off Reinsurance results can differ materially from our estimates, we do not believe that 2008 results are indicative of a future run rate. The consolidated outlook also includes lower earnings for our Disability and Life segment reflecting the lower than expect first quarter earnings and a reduced level of net investment income for the balance of the year.

I'll now discuss the components of our 2009 outlook, starting with Health Care. We continue to expect full year Health Care earnings in a range of $700 million to $760 million. While this range is consistent with our previous estimates, the components have been updated to recognize further pressure on membership mix reflecting the challenging economic and competitive conditions, offset by better insured margins.

Now I will discuss the drivers of the expected Health Care results. We now expect total medical membership to decline by 3% to 4% for full year 2009. Regarding medical costs, we continue to expect trend on our total book of business to be in a range of 7% to 8% for the full year. Relative to overall risk earnings, our outlook is now modestly lower than our previous estimates. This partly reflects lower expected membership in our Seniors segment expansion.

In addition, we now have a lower membership outlook for our core guaranteed cost business, partially offset by an improvement in the expected MLR. We now expect the full year MLR to be in a range of 84% to 84.5%, reflecting the favorable results in the first quarter and our continued strong execution on achieving pricing yields in excess of medical cost trend for the balance of the year.

Regarding our experience-rated book, we continue to expect approximately flat earnings in 2009, excluding the first quarter 2008 charge related to the non-medical account. We expect the improved profit margins on this product to approximately offset the impact of lower membership.

Relative to ASO and specialty earnings, our 2009 outlook is now somewhat stronger than our February estimates. We now expect more favorable stop loss and specialty contributions.

Regarding earnings progression throughout 2009, we continue to expect a considerable increase in earnings over the course of the year, driven by several key factors. First, due to the nature of the Medicare Part D product, we experienced an after-tax loss of approximately $7 million in the first quarter, but expect the full year result to be a small gain. Second, we expect the net investment income decline in first quarter of approximately $10 million after tax to improve in the latter three quarters of the year.

If we normalize first quarter results to adjust for the impacts of Medicare Part D and net investment income, we would get a full year run rate of approximately $680 million. We expect an overall improvement relative to this $680 million run rate in the balance of the year.

On the one hand, we acknowledge pressure due to lower membership and a higher guaranteed cost loss ratio relative to the first quarter actual result. However, we expect this pressure to be more than offset by two major items. First, we expect further operating expense improvements in the balance of the year. This includes the impact of lower transformation amortization expenses of approximately $25 million after tax in the second half of 2009. Second, we expect additional earnings growth over the balance of the year from our specialty businesses including stop loss. Specifically, we expect the stop loss MLR to continue to improve as we realize the benefit of our total medical cost improvement initiatives associated with the Great West book.

Overall, we continue to expect full year 2009 Health Care earnings in a range of $700 million to $760 million.

I'll now discuss the outlook for our other businesses. We now expect our 2009 Group Disability and Life earnings to be approximately $15 million after tax lower than our previous expectation of flat earnings. This decrease in the outlook is primarily driven by the lower first quarter earnings and a lower outlook for net investment income.

Our International earnings outlook is unchanged. We continue to expect to grow in the low single digits in 2009, driven by strong revenue growth and margins, largely offset by the expected negative impact of foreign currency exchange rates, particularly in South Korea.

All in, we expect 2009 consolidated EPS in a range of $3.70 to $3.90, a share and this assumes that VADBe is breakeven for the balance of the year.

To recap, our first quarter 2009 Health Care results reflect the impact of the Great West acquisition and improved guaranteed cost and experience-rated margins. We continue to expect to achieve our full year 2009 Health Care outlook. Our Group Disability and Life and International businesses continue to deliver competitively strong margins, and we expect both businesses to grow earnings in the balance of the year. Our current capital outlook is strong 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):

Thanks, Mike. I now want to comment on healthcare reform and then conclude with a few overall observations.

Regarding healthcare reform, I'll start by noting that CIGNA is actively invested both in the debate around the future of our healthcare system, as well as the pursuit of new and enhanced capabilities required to succeed going forward.

At CIGNA, we believe that every American should have access to affordable quality healthcare. That goal cannot be achieved without first understanding and addressing the true drivers of healthcare costs.

We believe the employer-based system through which more than 150 million Americans gain access to a choice of innovative health plans and benefits should remain the primary source of coverage for working individuals and their families. We also believe that a coordinated public and private partnership of all healthcare stakeholders is critical to creating a value-driven market.

Relative to the outlook for reform, a few thoughts. While it's not possible to definitively predict what reform will look like, some potential themes are emerging.

First, future Medicare Advantage reimbursement rate cuts are probable. The recent announcement of final 2010 rates, I think is a good indication that this is an area of focus for the administration.

Second, we are likely to see reform that will provide access to affordable healthcare for some portion of the 45+ million uninsured, potentially through individual and small group product offerings.

Third, there is the potential to have a “national insurance exchange” which could possibly include a “government run plan” to compete with the private market. Any proposed government plan faces considerable obstacles, and the construct of such a plan is very uncertain.

Fourth, we believe that America's Health Insurance Plans (AHIP) and related industry-sponsored reform proposals, which address topics like guarantee issue, modified community rating, and enforceable individual mandates, can be effectively delivered through the employer-based system. This calls into question the value of a new government run plan.

While the ultimate outcome of reform is difficult to predict, we feel that CIGNA is positioned to adapt to and capitalize on any potential opportunities from the evolution of healthcare in the U.S.

Specifically, our risk relative to the recent Medicare Advantage rate reduction is limited due to our small exposure to Medicare membership. In addition, we believe our growing capabilities to provide individual coverage makes some aspects of reform, such as improved access for the 45+ million uninsured, an attractive growth opportunity for us in 2010 and beyond. Finally, specific to reform that may focus on health outcomes, I would add the notion of improving health and wellness to bend the medical cost curve aligns very well with CIGNA's strategy and our business model.

CIGNA will continue to play an active role in the discussion of healthcare reform, as part of a coordinated industry effort to develop market-based solutions that leverage the capabilities of the employer-based market.

We are encouraged that our efforts to engage and inform the members of Congress are gaining traction, in that there is an improved recognition that legislators and other stakeholders need to address not just the issue of access, but the cost and quality of healthcare as well. It is clear that our efforts to date have helped ensure that the industry has a seat at the table, and we are pleased to be part of a coordinated industry effort to work towards an improved healthcare delivery system.

Now before we take your questions, I want to underscore several points.

First, Health Care results in the quarter are consistent with our full year outlook and reflect sound execution of the fundamentals.

Second, we are focused on identifying further operating expense reductions.

Finally, our capital position is strong, and we expect to have the financial flexibility to deal with the current challenges in the capital markets. In addition, our investment portfolio is of high quality and is well managed.

In conclusion, we are confident in our ability to achieve our full year earnings guidance for our ongoing businesses and continue to improve our competitive position, thereby creating value for the benefit of our customers and our shareholders.

That completes our formal remarks, and we'd now be glad to take your questions.

Josh Raskin (Barclays Capital):
There was no real mention of COBRA, and understanding that a large majority of your business is self-funded, what are your thoughts around any potential impact this year?

David Cordani:
First off, we did not see a major impact of COBRA in the first quarter. We do see some uptick in acceptance rate based on the federal subsidy. We're tracking a little bit of erosion in disenrollment being offset by a little bit of an uptick in the COBRA results, but we don't see a material swing to date relative to the overall performance of COBRA thus far.

Josh Raskin:
I guess as you review the cost trends, even for your self-funded accounts, are you seeing any changes in utilization patterns or even severity of utilization in those cases prior to layoffs or sort of even before the COBRA kicks in for some of these members?

Mike Bell:
At this point, we are not experiencing a sea change in our underlying medical cost trends. Hence, we are maintaining our full year medical cost trend outlook for the total book of business in the range of 7% to 8%. I would emphasize that the first quarter data is very immature and the economic impacts that you're referencing are still uncertainties. To date, we have not seen any evidence of an uptick in trend for the factors that you're describing.

Josh Raskin:
Ok. Just a quick follow-up on the pension funding. Did you say that you made a voluntary contribution of $300 million, but the net impact on full year parent cash was going to be $130 million?

Mike Bell:
First of all, the contribution in the first quarter was $300 million of cash. This is a pre-tax gross number and is pre-contributions from the subsidiaries. The full year number that I was referencing of $130 million is after-tax and is after the contribution from the subsidiaries. In other words, the gross contribution for the full year is expected to be around $400 million. We expect the tax benefit on that gross contribution to be approximately $160 million, and the remainder would be the amount that we would expect to collect from the subsidiaries.

Josh Raskin:
So is it a good way to look at it as $240 million will be going out of the overall entity?

Mike Bell:
$240 million after tax is our current estimate for the full year going out of the entire entity. It's important to note that only $130 million after tax of that is funded by the parent. The remainder is funded from collections from the subsidiaries that would be part of the normal operating company subsidiary cash flow as opposed to having to be funded out of the subsidiary dividends.

Josh Raskin:
That puts you in a better funded status, but is it fair to say you would anticipate further contributions in years to come?

Mike Bell:
That's correct, Josh.

John Rex (JP Morgan):
Could you provide us some perspective on the performance of Great West as you look at it now versus your earlier expectations when you were closing the deal, maybe along metrics of both the earnings contribution that you've realized from it and the retention, and some comments, again, as you're looking at it in 2009? I know you are not breaking it out specifically, but it’s a pretty important piece.

Mike Bell:
The overall headline is that we are tracking in aggregate for Great West relative to our most recent earnings projections. As we've talked about before, the Great West book has become increasingly integrated into our Health Care operation, so our ability to get a precise Great West P&L is becoming more and more limited.

What I can tell you is that our outlook now for full year 2009 is for an improved medical loss ratio on the stop loss book, even relative to what we expected three months ago, and this reflects the factors that both David and I talked about. Specifically, we've made very good progress on giving Great West access to the benefit of our total medical cost improvements, and we're seeing that show up in favorable loss ratio results in the first quarter. We now have an even better visibility into a stronger loss ratio for the balance of the year.

It is fair to say that there is pressure on the Great West membership. Round numbers, we're now expecting the full year Great West membership to decline by approximately 14%. Again, like I said, that's a number that's more art than science, since Great West is now part of the more integrated ASO book. Round numbers, that would be modestly worse than what we had expected before, mainly because of pressure on new business sales as opposed to persistency.

David Cordani:
I will add a couple of points around the fringe of that. You asked, in terms of the overall view, now that we've had the company for a better part of a year, strong positives on people, the distribution relationships, as well as the relationships with the delivery system, hospitals, the physician community, and the product features, are strong positives that have come through. Mike referenced earnings, and to reinforce the growth point, our expectation was to improve the overall proposition that Great West has by delivering the medical cost improvement that is largely in flight now, improve the product features by offering some of our specialty capabilities. We believe this will help to drive some of the emerging growth that we need to bring out of the Great West book of business as we look forward.

John Rex:
I mean when you look at the membership compared to when you bought it, what would you be down now? Like roughly 35% or so?

Mike Bell:
First of all, it would not be that high. Second, all members are not created equal, and we have lost a number of members in their TPA arrangements where they had negotiated with other managed care organizations, particularly TPAs, to allow those other entities to use their Great West network. We have lost a significant amount of these particular members. These members were not contributing meaningfully to earnings, and we're much more focused on retaining the full service ASO members that have stop loss.

I don't have the precise number. Back to my earlier point, Great West has become more and more part of the integrated organization as opposed to a stand alone set of financials. Back to your original point, I think it's fair to say that the big positive from an earnings standpoint has been the positive loss ratio. There has been pressure on the membership, and we're very excited about the people and the distribution relationships that we've added.

John Rex:
Just to follow up on COBRA. How did you think about COBRA when developing your Health Care segment outlook for 2009? Did you assume that adoption rates stay about where they have been?

Mike Bell:
COBRA is a relatively insignificant part of our overall book. Keep in mind a couple of things. First, COBRA membership is only approximately 1% of our total book. We have a little over 100,000 COBRA members, and exactly how sticky they'll be in this kind of environment versus those members finding individual coverage, for example, is really unclear, but it's a relatively small number in terms of our overall book.

Importantly as well, John, over 80% of our COBRA membership is ASO related. As a result, we don't have the kind of medical cost impact that others with a much larger fully insured book would have. So it really is not a big earnings driver for us.

John Rex:
It is split fairly evenly because 80% represents your overall membership mix? Do you look for COBRA membership to be higher at the end the year? Would you expect the 1% to be 1.5%, or do you expect it to still be in that range as you end 2009?

David Cordani:
We expect it to grow a little bit, but modestly, as we look at the disenrollment pattern driven by unemployment. If unemployment goes from 9% to 10% in the year, at least what we're seeing right now with the COBRA uptick is that it could potentially offset a portion of the impact from unemployment. As Mike said, we expect the uptick in COBRA membership to be consistent relative to our book of business, heavily ASO oriented.

Justin Lake (UBS):
I want to get your view in regards to your in-house PBM capabilities, given the PBM news out of WellPoint? Maybe you can give us some color around where you think you're buying versus the market, where you see the buying power with that combination, maybe outline the operating profit contribution from your PBM operations, and your thoughts on how you structurally view PBM as a part of the business?

Ed Hanway:
First of all, we've said consistently, and it continues to be true today that the PBM is an integral part of our integrated value proposition and particularly attractive in the middle market, where we see lots of packaged buying. We have historically looked at the PBM business on a regular basis, benchmarked our PBM performance versus the stand-alone PBM operations and kind of consistently concluded that it was best value for shareholders to retain it.

We will continue to do those reviews and continue to benchmark the performance of our PBM. In areas like generic substitution, the performance of our mail order and penetration of our mail order, our statistics there, Justin, are very strong. It continues to be a very strong earnings contributor for us, as well as a very strong part of our integrated value proposition. Having said all of that, we'll continue to look and evaluate, based on what's happening in the market broadly, whether continuing to own it ourselves is ultimately the best outcome for shareholders. To this point in time, it's been very clear to us that it has been.

Justin Lake:
Could you outline the operating profit and the mail order penetration numbers that you talked about?

David Cordani:
We typically don't break out the operating profit in detail. Let me give you a little bit of the supporting statistics you're looking for. For mail order penetration it's difficult to do comparables, especially since our guaranteed cost book is small and our ASO book is large. Our penetration rates are in the mid to upper 20s. Overall, our generic substitution rate is in the very high 60s, which you could compare relative to any threshold. Our medication compliance rate is in the upper 80 percentage rate in terms of the clinical quality. As Ed referenced, it's a highly integrated proposition. So when we look at the benchmark comparators, we rank quite strongly for some of the critical indicators there.

Justin Lake:
Due to the economy, are you seeing any impact on your ability to up-sell? Whether it's Great West or in your middle market books, national account books to the secondary products because of what's going on in the economy?

David Cordani:
I am going to give you a yes and no answer. We see an impact in some cases. There's a negative impact in your ability to up-sell as employers are looking at every opportunity to offset total costs in a given year. Conversely, as employers are looking for means to offset their medical costs, take disease management, take some clinical integration programs, for a middle or large employer, they usually benchmark their own experience. You could demonstrate to them whether or not there is an ROI in 12 months, and that aids the selling proposition. So absolutely an impact, a more acute focus on not only the ROI, but the payback period, which makes it a very consultative rich sale in the marketplace today, more than ever.

Ed Hanway:
The other thing I think we've seen consistently as opposed to what we might have experienced two or three years ago with stand alone products, is that we have seen movement toward more integrated programs. They're more efficient, they're likely more cost effective and they have better outcomes for people. It is also advantageous for somebody like us who can bring that integration to bear. That is also a trend that I think has probably been accelerated a bit by the economic challenges.

Matthew Borsch (Goldman Sachs):
I want to get your outlook on what you see in the credit markets now, specifically as it relates to your commercial paper access, and perhaps if you can comment, the timing of your thoughts on rolling out long-term debt to replace that and generally, the current credit market impact on your investment portfolio?

Mike Bell:
First, in terms of our commercial paper, we continue to be real pleased with the trends that we've seen since late 2008 in terms of availability of paper and also the rates that we have related to that paper. Specifically, in terms of the paper that we had outstanding as of March 31, our average rate on the total amount outstanding was approximately 2.1%. That's significantly improved from some of the dark days in fourth quarter of 2008. I see no evidence that this would get worse any time soon. I don't have a crystal ball, but I don't see any trends that would make me feel concerned.

In terms of issuing long-term debt, that's something we're evaluating as we speak. We will have a window once we issue the first quarter financial statements. We would look very carefully at the window here in early May. I'd characterize it as probable that we would issue long-term debt in early May. Again, that's something we'll evaluate over the next couple of weeks and make a final decision at that point. We would announce if in fact we were going forward with issuance at that point in time.

In terms of the overall credit markets and the impact on our $18 billion investment management portfolio, things have been reasonably stable since the beginning of the year. There have been some pockets of softness, but as a general rule, I would characterize it as more stable certainly than some of the negative trends that we saw late last year.

Matthew Borsch:
And could you comment on any VADBe impact that you've seen so far this quarter?

Mike Bell:
Obviously, it's early in the quarter, but I think it's fair to characterize the VADBe results here in April as favorable. We've benefited from the favorable stock market performance in April. Volatility has been reasonably well behaved, as well. So again, way too early to give any specific point of view for the second quarter, but certainly to date, April has been favorable.

Matthew Borsch:
On the Health Care business, in terms of what you see incrementally as compared to your last quarter update in early February in terms of the intensity of price competition on the risk side and also on your ASO book?

David Cordani:
We continue to see the pricing environment as competitive. I would not say the intensity has changed markedly in either direction over the recent past. As you'll note in our loss ratio and relative to our premium yields, we have stuck to our underwriting and pricing discipline and feel good about the rates we were able to secure. Some impact on the retention rates within the book of business and as you might imagine, some impact in terms of somewhat lower close ratios. Overall, it is still a competitive marketplace and we've not seen a marked change for either ASO or risk over the last quarter.

Charles Boorady (Citigroup):
Can you update us on your progress in growing the individual and small employer business? How the enrollment is trending, any regional successes or failures that you've had, loss ratio experience in that new book and any investments you've made on the admin side to try to grow those businesses?

David Cordani:
Overall, we're early into the process. Relative to the two segments you referenced, individual and small, our primary focus, given market conditions, is disproportionately to the individual block of business right now. As I referenced in my prepared remarks, we're in five markets as we sit today and with some sharp focus, we will enter an additional five markets throughout the course of the year.

Early signs within the individual markets we're playing in is that our growth trajectory is on track with what we expected. Relative to volume, it is actually pretty high. Broker activity and inbound volume is pretty high. Close ratios are reasonable and new business growth is inline with our 2009 trajectory for that block of business.

As it relates to loss ratios, given the early part of the year and the newness of that block, it would be premature to comment. Early indicators in terms of rate ups and rate downs, makes us feel pretty good with what's on the books, but we're all cautious around that. As it relates to your reference to administrative investments, as you might imagine, as you're doing market entries, there's additional investments in people, in marketing support, and etc. We're being very targeted in those key geographies, the five we're in and the five additional that we'll drive in the marketplace.

As a final note, this is led by a dedicated segment within the organization. We have the focus because the distribution channel is different, the product is different and that it is part of our ongoing investment.

Charles Boorady:
As you look at your overall enrollment declining, could you paint a trajectory of where is the individual and small business? How is it compounding? And is there a point at which the growth in individual and small would be great enough to offset the fairly sharp declines that you've seen recently in enrollment? Or do you feel like you're going to need to resort to M&A again as a source of longer term enrollment gains?

David Cordani:
Relative to individual and small, let's parse the segments. We talked about the Select segment which is 51 to 250 life employers, Small, which is 2 to 50 and Individual. We expect net about 30,000 additional lives in the Individual segment this year and that's consistent with our expectations.

Will that swing the bar for us this year on our overall membership base? No, but 30,000 life contribution is meaningful. We expect that we will actually still shrink in our 2 to 50 book as we reposition in a few geographies and, for lack of a better description, harvest that book and have a few targeted entries.

As we look forward to 2010 and beyond, we're actually quite excited about the growth opportunity in the Individual segment. Both the volume, as well as the revenue and earnings contribution that goes along with that book of business, this is why we're taking the gated approach.

My final comment would be that we would expect to see more contribution from the Select segment. You heard Mike and me reference before relative to Great West. That 51 to 250 life employer with a benefit of both the ASO product from Great West and our leaner guaranteed cost product we expect will be a contributor as we look to 2010 and beyond.

Charles Boorady:
On page six of the stat supplement, in reference to the valuations on the mortgage loan portfolio, it references the deterioration in the economic conditions since the third quarter 2008 and for more information, refer to the 10-Q from March 2009, which I haven't found filed yet. I'm wondering if there is something in there that would lead us to a materially different valuation than the $3.6 billion that you've got on your balance sheet for the commercial loan portfolio?

Mike Bell:
The short answer is no. There's nothing in the disclosures that would cause us to want to write down the $3.6 billion further. All we were attempting to reference there is that the values which were calculated as part of the third quarter 2008 review and have only been updated subsequent to that for specific properties that are either problem loan, like the one that we have, or potential problem loans. And that we recognize that those loan to values are somewhat stale and will likely get updated as part of the third quarter 2009 review.

As I discussed in my prepared comments, we only have one loan that is delinquent. On that particular loan, since the fair market value of the property is higher than our loan value, we expect that at the end of the day to be money good even if we have to foreclose and take it ourselves.

Christine Arnold (Cowen):
First, was there any positive development in the quarter related to 2008 in your HealthCare division in any of the major line items?

Mike Bell:
Nothing material, overall. Prior year development for the quarter was literally an unfavorable $2 million after tax. We had unfavorable $1 million after tax in guaranteed cost, $1 million after tax in Medicare, and $1 million after tax in voluntary. This was offset by favorable $1.5 million after tax in the behavioral business. Again, I would consider all of these to be immaterial.

Christine Arnold:
I think we've danced around this a little bit, but I want to understand your assumptions and can you tell me if my assumptions are wrong with the way COBRA works. My understanding is that in groups of over 50, people who have been laid off between September of 2008 and today are going to get a letter saying you can join COBRA and you can do it 60 days retroactively. Is that your understanding?

David Cordani:
Yes.

Christine Arnold:
If an individual, for example, who got run over by a truck last week is a member you didn't have and yet you're going to be liable for those costs. True?

David Cordani:
First, we referenced before the size of our current COBRA book it is about 100,000 lives. Two, I would just re-highlight the profile of our book of business as we are greater than 80% ASO and working hand in glove with managing our employers' relationships. Is what you describe possible? Sure, that's possible.

Thus far, through the first three months of the year, we have not seen any acute movement in the COBRA book. We've seen some growth for sure. We have not seen any patterns, client specific, loss ratio specific that have bounced out of proportion relative to those types of events.

Christine Arnold:
A couple of questions on this, when did the letters go out for your employers inviting people to join? I guess my issue with reinsurance, since the consultants are urging employers to make sure that the reinsurance covers these kinds of retroactive events. I'm trying to figure out if there's an exposure there. So if you could specifically address those questions, I think that would be helpful?

David Cordani:
I don't have the level of detail that you're referencing at my fingertips in terms of when the letters have gone out and what's transpired. As for a clarifying point, when you say reinsurance, are you referencing stop loss programs that might be attached?

Christine Arnold:
Exactly.

David Cordani:
And our stop loss programs as a reference if it's an ASO employer?

Christine Arnold:
Exactly.

David Cordani:
So relative to the latter point, again, if we're managing it hand in glove relative to an ASO employer, to the extent we're dealing with the middle market employer that has an ASO relationship or if we're in the Select segment with an ASO relationship, we'll be managing that overall cost profile just as we would with any other individual for that employer. Remember, there's also a finite life relative to the design of the program, as well as how long an individual could be on this with this subsidy. The point I would come back to is, thus far we have seen an uptick of COBRA lives but not a sea change within our portfolio.

Secondly, we have not seen ASO employers or within our guaranteed costs medical costs trends any discernable movement on stop loss, guaranteed costs, or ASO trends. As a final note, for our largest employers we have a team of medical economists that actually go through their individual case level medical trends and provide quarterly if not monthly consultation.

Ed Hanway:
The only other thing I would offer and obviously we don't know this yet, but the subsidies are pretty significant here. One of the things that we don't know yet is how the risk pool will change. COBRA historically has not been very attractive as we all know. That's largely been because there's been a tremendous adverse selection given the costs associated with it.

One of the things we don't know is what the risk pool will do when you have people who suddenly have a 65% subsidy. You may actually get an improvement in the risk pool. Again, it's way too early to know that and it's something we'll watch as well.

Greg Nersessian (Credit Suisse):
The first question on the Disability and Life outlook, relative to our estimates it doesn't look like the miss in the first quarter is being projected forward. Is that consistent with your internal view? And why wouldn't the unfavorable claims experience persist through the rest of the year?

Mike Bell:
First, your overall headline is right. Second, in terms of your question on why would we not expect it to persist, remember there were a lot of factors that hurt us in the first quarter. We don't expect most of those factors to be run rate items for the balance of the year. First, net investment income for the CIGNA Group Insurance business declined sequentially by approximately $4 million after tax. As I referenced in the prepared remarks, over half of that relates to the mezzanine investments that we took a hit on and don't expect it to run rate for the remainder of the year. We view that piece as a first quarter only item.

Second, we did have a number of people insured as part of the plane accident in Buffalo, New York. That cost us $3 million after tax this quarter. Again, we don't expect that to be the run rate going forward. The life loss ratio bounces around quarter-to-quarter. It bounced unfavorable here in the first quarter. It's bounced favorable in the past. Just as I've said in the past, I'd suggest you not overweight good news, and I suggest you not overweight the bad news on the life business in the quarter. That was worth approximately $4 million after tax.

Then the disability loss ratio also increased in the quarter relative to full year 2008. That was worth approximately $4 million after tax. Now, there we do hypothesize that it is probably related to the soft economy. On the other hand, we have a good history here of when we staff up the disability management organizations, that they do a particularly good job of helping people get back to work. Therefore, I don't believe that the first quarter run rate for 2009, which was worth $4 million after tax, is the new run rate going forward for disability.

Greg Nersessian:
That's very helpful. And the second question is on the VADBe. Back in March you had indicated you thought the charge was going to be as much as $80 million after tax, a little bit less than that. If you could talk to what changed from that initial view?

And then on the partial surrenders, how should we think about that going forward? Do you think that you've captured the threat of partial surrenders right now with the current reserves? I think, obviously depending on market conditions, but do you think we could see some additional charges as we move through the year?

Mike Bell:
In terms of your first question on why was the VADBe charge in first quarter lower than our last 8-K. The big driver there was the improvement in the equity markets over the remainder of March. The good news is that it's continued into April as well. Who knows what it's going to be going forward. But specifically, the equity market decline was less than what we had built into the last 8-K. As a result, the reserve strengthening that we had to do for future partial surrenders was less at March 31 than we had estimated earlier in the month.

In terms of your question on partial experience and probability of any kind of future reserve strengthening, a couple of things I would note there. First of all, the first quarter 2009 experience was inline with our reserve assumptions. Now remember that our reserves automatically pick up the drop in the equity markets. So when the equity markets drop we increase the reserve formulas, which automatically assume an increase in expected future partial surrender rates because of the higher balances that the annuitants have.

Also remember the reserve formulation is based on rolling 12 month actual experience. The good news here is that the first quarter 2009 actual experience that's now part of the 12 month rolling formula was inline with the reserve assumption. So at this point, no negative news here in first quarter, relative to new partial surrender experience data.

In terms of what it's going to look like over the course of the year, again, I've told you everything I know at this point. I think the fact that our reserve balance reflects the lower stock market values, and the fact that in the past lower stock market values have led to higher future partial surrenders, and that we've got in the reserve balance the present value of all of those future partial surrenders in the future based on the current reserve assumptions, makes me believe that our current reserve balances are appropriate. Again, there's a lot of uncertainty here and we'll obviously give additional updates in the future.

Scott Fidel (Deutsche Bank):
Can you update us on the performance of the experience-rated book in the first quarter, how pricing and underwriting margins came relative to expectations and then the percentage of accounts that are in deficit? And how the recovery efforts are tracking relative to the economy?

Mike Bell:
First, the overall headline is that the first quarter experience-rated results in fact were better than we had anticipated on most of the components that you're asking about here. So for example, the medical loss ratio on the ER book improved sequentially and also improved relative to first quarter of 2008. From a loss ratio or a margin standpoint first quarter was better than expected.

In terms of the pricing actions we did secure strong renewal price increases. We secured an average renewal price increase on the 64% that renewed in first quarter of 10.1%. That 10.1% in round numbers is approximately 250 basis points better than what we expect the underlying medical cost trend to be.

In addition, the first quarter medical costs were actually modestly better than we had expected as well. Hence better profit margins in the quarter than we had anticipated. In terms of your question on margins and deficits, we ended first quarter with 68% of the accounts in surplus and 32% in deficit. The cumulative deficit balance at this point is $130 million. Again, that $130 million has already been fully charged to earnings, and to the extent that we can recover more of that in the future, that would be positive good news.

A couple of pieces that I would mention as headwinds. First, the persistency ended up being a little bit weaker than we had expected. The persistency ended up being 84% for the first quarter renewals. It was specifically 67% for the deficit cases. My hypothesis, not yet fully proven, is that with the soft economy it's been tougher to get a deficit recovery. 67% is certainly not a terrible result and actually pretty close to inline with what we saw in the first quarter of 2008, but a little soft compared to longer-term historical averages.

And then the other point that we've referenced before is that new business volumes from the experience-rated book were a little bit light. As a result, first quarter membership was down 7% relative to year-end 2008.

Scott Fidel:
Good detail. Thank you. To follow up, are you building into the guaranteed cost MLR any changes in seasonality this year relative to pickups and high deductible membership? Some of your competitors have already cited building in higher MLR views around the ramp in the back half of the year for that? What are your thoughts around seasonality in the GC MLR?

And also if you could update us on what percentage of your members are in high deductible plans in 2009 at this point relative to 2008. And then also related to that where your CDHP membership stands now in the first quarter compared to 4Q?

Mike Bell:
On the guaranteed cost MLR, yes, you are right, we are not assuming that first quarter is the run rate for the full year. Part of that reflects the fact that we do expect there will be additional upward trend pressure in the second half of the year, particularly fourth quarter related to the high deductible plan. So as an example in first quarter, our loss ratio for the guaranteed cost book was 82.8%.

As I referenced, we're modeling a full year number in the range of 84% to 84.5%, and we're modeling a 100 basis point uptick in fourth quarter of 2009 specifically related to the high deductible plans that are more popular today than they have been in the past.

David Cordani:
Relative to your questions, the percent of the book that's in the CDHP, which we define it as fund based, so not just high deductible, think about by the end of 2009 about 10% of the book, just slightly less than 10% right now. Highly concentrated in ASO because our focus as we built that book of business was ASO funding mechanism.

We're up about 11% from fourth quarter 2008 to first quarter 2009. Lastly, just by way of color, we continue to see very good demand and interest for employers around CDHP as they're looking for alternatives as a means to engage their employees and control costs.

Scott Fidel:
One last follow up, a question on high dollar claims and sort of what you were seeing in the first quarter. You saw some of those in 2008. It looks like catastrophic claims came in nicely though in the first quarter? And then particularly relative to that, are you seeing any pickup in terms of intensity in facility claims in the $10,000 to $50,000 range, so essentially just right below the stop loss range or the catastrophic range?

Mike Bell:
On your specific question on catastrophic claims it is fair to say that first quarter 2009 was a favorable quarter for us in terms of catastrophic claims. We saw that specifically show up as a benefit in the favorable guaranteed cost loss ratio. We also saw that show up as favorable in the stop loss results, in the ER book, and in the ASO book.

Now, I would point out that in our full year guaranteed cost loss ratio, we are anticipating a more normal trend. So we've not assumed that the favorability will continue in second quarter through fourth quarter.

David Cordani:
Relative to your intensity question, in the first quarter generally the answer is no. We saw a little uptick in inpatient offset, by a little downtick in outpatient. Overall facility claims relative to the book of business were inline with our expectations.

Ana Gupte (Sanford Bernstein):
Outside of the layoffs I wanted to explore the commercial membership patterns and the sources of the losses that you're seeing in the recession. So the first one is given you have a down market self funded product, are you seeing any change in the employer behavior in terms of moving from fully insured to self funded? And is that part of the reason you're seeing a decline in Great West?

The second unrelated question was you talked about low cost guaranteed cost products that are being adapted. And I saw you have an uptick in your voluntary product. We've been hearing that employers are reaching a point, the small employers where there's not much more opportunity to buy down, do you see that any innovation can still keep them in the game? Or would they move to maybe a defined contribution option or just get out of health benefits all together?

David Cordani:
Several questions there relative to purchasing patterns and what's happening down markets. So the first general theme we see, we continue to see the ASO or self funded mechanism moving down in average employer size and that's why we were so interested in the Great-West capability for the 51 to 250 life employer. So we continue to see that.

We do see some conversions. We track them as conversions between guaranteed costs. So if we're not renewing a piece of business as guaranteed cost do we lose it? Or does it converge to an ASO with stop loss. We do track that. And we do see some activity there.

The second part of your question goes towards the leaner benefits and what's transpiring. First, from our book of business, since we've historically not played heavily down market, it's relatively a new space for us and we need to make sure we have appropriate lean benefits for that market. And those benefits could be designed to be 10 points leaner in terms of benefit design than what historically a 1,000 life employer might be looking at. So when I referenced in my prepared remarks leaner benefits it was speaking to that portfolio.

We do see an uptick in interest in voluntary benefits and moving the voluntary benefits from what you or others might know as traditional mini med to more complete benefits.

You could think about a benefit program that might be positioned between the mini med program and the traditional program. We see employers interested in that and having dialogue today. But it's early to call whether or not that's a trend.

We're pleased that we have the capabilities between our Star HRG acquisition and our traditional programs. And I think my final point for you would be we'd expect to see employers looking creatively at alternatives whether they're modified voluntary CDHP down market or leaner benefit alternatives.

Ana Gupte:
Just a quick follow-up. So is that product in between translate to something like a $150 on a pmpm basis. Then just on the member side, are you seeing healthy active independents dropping out and just for you and the other players, is there a threat of adverse selection as we move to the rest of the year?

David Cordani:
First off, relative to the product you hit it pretty much on the head, so think about it $150 to $180 on a pmpm basis. It is a very immature marketplace. In fact, one state program has piloted similar benefit design down in the southeast relative to about an $1,800 benefit for a full year covering wellness, prevention and catastrophic care.

And your second component relative to disenrollment patterns changes, we do see signs that disenrollment patterns are actually putting a little upward pressure on the average age within the book of business. Therefore, you're seeing either unemployment or disenrollment pattern pushing the age levels up. Thus far, through rate execution we've been able to price for that, which is very important and we made some improvements in pricing and underwriting actions relative to last year in dealing with that phenomenon.

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