

CIGNA CORPORATION

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DAVID M. CORDANI – PRESIDENT AND
CHIEF EXECUTIVE OFFICER

THOMAS A. MCCARTHY – CHIEF FINANCIAL OFFICER

EDWIN J. DETRICK – VICE PRESIDENT,
INVESTOR RELATIONS

NOTE: Cigna has made editorial changes to this transcript.
As used herein, "Cigna" refers to Cigna Corporation and/or its consolidated subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The press release dated July 31, 2014 and the related investor conference call, and oral statements made with respect to information contained in the release, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on Cigna's current expectations and projections about future trends, events and uncertainties. These statements are not historical facts. Forward-looking statements may include, among others, statements concerning our projected adjusted income (loss) from operations outlook for 2014, on both a consolidated and segment basis; projected global medical customer growth (excluding limited benefits) over year end 2013; future financial or operating performance, including our ability to deliver improved health outcomes and productivity for our customers and clients and future growth, business strategy, strategic or operational initiatives; economic, regulatory or competitive environments, particularly with respect to the pace and extent of change in these areas; and financing or capital deployment plans, including whether and to what extent we may engage in share repurchases. You may identify forward-looking statements by the use of words such as "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "may," "should," "will" or other words or expressions of similar meaning, although not all forward-looking statements contain such terms.

Forward-looking statements are subject to risks and uncertainties, both known and unknown, that could cause actual results to differ materially from those expressed or implied in forward-looking statements. Such risks and uncertainties include, but are not limited to: our ability to achieve our financial, strategic and operational plans or initiatives; our ability to predict and manage medical costs and price effectively and develop and maintain good relationships with physicians, hospitals and other health care providers; our ability to realize the expected benefits of strategic transactions and/or acquisitions; the substantial level of government regulation over our business and the potential effects of new laws or regulations, or changes in existing laws or regulations; the outcome of litigation, regulatory audits, investigations and actions and/or guaranty fund assessments; uncertainties surrounding participation in government-sponsored programs such as Medicare; and unfavorable industry, economic or political conditions, as well as more specific risks and uncertainties discussed in our most recent report on Form 10-K and subsequent reports on Forms 10-Q and 8-K available on the Investor Relations section of www.cigna.com. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance or results, and are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Cigna undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by law.

Ted Detrick, Vice President – Investor Relations:

Good morning everyone. And thank you for joining today's call. I am Ted Dietrich, Vice President of Investor Relations and joining me this morning are David Cordani, our President and Chief Executive Officer and Tom McCarthy, Cigna's Chief Financial Officer.

In our remarks today, David and Tom will cover a number of topics including Cigna's second quarter 2014 financial results as well as an update on our financial outlook for full year 2014. As noted in our earnings release, Cigna uses certain financial measures which are not determined in accordance with accounting principles generally accepted in the United States, otherwise known as "GAAP", when describing our financial results.

Specifically, we use the term labeled 'adjusted income from operations' and earnings per share on this same basis as the principle measures of performance for Cigna and our business segments. And a reconciliation of these measures to the most directly comparable GAAP measure is contained in today's earnings release which is posted in the Investors Relations Sections of cigna.com

Now in our remarks today, we will be making some forward-looking statements including our outlook for 2014 and future performance. These statements are subject to risk and uncertainties that could cause actual results to differ materially from our current expectations. A description of the risks and uncertainties is contained in the cautionary note to today's earnings release and is in our most recent report filings with the Securities and Exchange Commission.

Before turning the call over to David, I will cover a few items pertaining to our financial results and disclosures. Please note that when we discuss the number of covered lives for our global medical customers, we will be doing so on a basis that excludes individuals that were previously covered under limited benefits plans.

As a reminder, we exited the limited benefits business as of December 31, 2013 as required by the Affordable Care Act regulations. I would also note that when discuss our earnings outlook for 2014, it will be on the basis of adjusted income from operations. And lastly, our outlook for earnings per share for 2014 excludes the effect of any future capital deployment.

And with that, I'll turn the call over to David.

David Cordani, President and Chief Executive Officer:

Thanks Ted. Good morning everyone and thank you for joining today's call. To begin, I'll briefly review highlights from our second quarter financial results. Next, I'll provide an update on how the effective execution of our strategy is addressing global challenges such as lowering health risks, and improving productivity, affordability and clinical quality.

In addition, I'll profile how our Global Supplemental Benefits business continues to meet the needs of global consumers and is driving attractive growth across our international markets.

Next Tom will offer insights on our performance as well as an updated outlook for the remainder of the year before we open the floor to your questions. After that, I'll leave you with a few closing remarks. Let's get started with some highlights.

Our track record of strong performance and competitively attractiveness financial results continued in the second quarter with each of our business segments contributing meaningfully to Cigna's results.

Our second quarter 2014 consolidated revenue increased 9% to \$8.7 billion. We reported adjusted income from operations for the second quarter of \$530 million or \$1.96 per share which represents a per share increase of 10% over the second quarter of 2013.

Turning to each of our segments, we again reported strong results across our Global HealthCare business. Our continued focus on delivering engagement based solutions that leverage innovative physician partnerships is resulting in high quality clinical outcomes and competitively differentiated medical costs for our customers and clients.

These outcomes are driving strong customer retention supporting our work to deliver a localized and personalized care for our customers around the world. Our Global Supplemental Benefits business had another strong quarter as Cigna continues to deliver differentiated products and services for a growing number of customers worldwide.

In a moment I'll discuss this strategically important business in more detail.

The results of our Group Disability and Life segment continue to be strong driven by our disability and productivity model which produce industry leading return to work results.

In our Group business we are putting our customers front and center, leveraging our broad, talented clinical teams and supporting their work with actionable insights to help our customers improve their well-being and sense of security.

In total, our second quarter results reflect strong performance that remains firmly grounded in Cigna's clear and focused strategy of Going Deep, Going Global and Going Individual. Now I'll highlight how we've positioned Cigna to compete and win in a complex global marketplace both today and in the future.

Faced with serious challenges that continue to confront health systems around the world, our response has been and continues to be to emphasize innovation, with a focus on affordability and personalization, which from our point of view requires a highly localized focus.

At Cigna, personalization describes how we're facing an increasing retail oriented marketplace and the growing demand for products and services that are personally relevant to each individual's needs - needs that clearly evolve and change at each life and health stage.

And localization sharply targets Cigna's decision making process in local market structures, with locally based leadership teams and expert resources, who best understand their home markets and drive delivery of our innovative solutions and value propositions each and every day.

This emphasis on localization and personalization along with our focus on achieving improved clinical quality outcomes has driven us to engage collaboratively with physicians and individuals uniquely defined by their local market characteristics to emphasize deep and broad clinical excellence within our Cigna teams for the benefit of our customers and to innovate new customer driven and incentive products and services that engage our customers in a highly personalized manner.

This includes Cigna's Collaborative Accountable Care arrangements which we launched back in 2008. We recently surpassed our 2014 goal of establishing one hundred collaborative arrangements and as of today, have more than 1.4 million customers obtaining care through these models.

These collaborative arrangements engage with individuals to encourage preventative care, reward healthy behaviors, and to actively guide, coordinate and support the care journey of our chronic and acute customers.

By closing gaps in care with programs that improve prescription adherence, coordinate health screenings, and ensure follow-up care, we are seeing improved health outcomes and as a result, better affordability. We have growing proof that demonstrates the effectiveness of our collaborative arrangements with physicians.

For example, for those arrangements that have been in operation for nearly two years, nearly three quarters have met targets of improving quality, with a comparable percentage meeting targets for improving medical costs. These proof points clearly demonstrate that our collaboration arrangements with

physicians are effectively delivering the right care at the right time at more affordable and sustainable levels.

Now I'd like to turn to a part of our business that is predominately based outside the United States, and is of increasing scale and significance for Cigna. Globally evolving markets are confronting a host of new societal and economic demands presenting us with opportunities to deliver innovative solutions, to protect health, well-being and sense of security.

To meet these emerging needs, we have built a scaled, differentiated platform for a fast growing Global Supplemental Benefits business. This business is of increasing strategic importance for three primary reasons. One, it represents an attractive global market for Cigna with expanding opportunities among the growing middle class and seniors population and additional opportunities in health care as both governments and individuals around the world seek to expand private solutions.

Two, our broad innovative distribution channels gives us more opportunities to effectively target and interact with individuals on a personalized basis. And three, our sophisticated individual expertise can be leveraged as the individual market evolves in the United States.

Today, Cigna's Global Supplemental Benefits business has more than 12 million policies in force, primarily serving the growing middle-class. These policies cover a wide range of health, life and accident products that provide individual customers with a diverse range of solutions targeted at tilling the gaps in their social benefit programs and providing them with greater piece of mind.

The unique differentiator and driver for Cigna in the marketplace are the more than 150 diverse affinity partnerships we maintain through the world. Our broad experience in industry relating capabilities in this distribution channel continue to drive new customer growth and help us deepen existing customer relationships.

In addition, we're leveraging a range of innovative distribution channels to reach current and perspective customers in a personalized approach. For example, in the direct to consumer space, we continue to fuel our industry leading proprietary telemarketing programs with new personalized distribution channels such as direct digital campaigns, branch banking, retail store outlets and home shopping television. Our ongoing innovation of distribution channels is continuing our success in helping to drive growth.

In fact, today, these newer channels now represent more than one-third of new sales for this business.

Another market segment with attractive potential for our Global Supplemental business is the senior segment. We recently expanded our efforts to support the needs of seniors through an innovative digital marketing strategy focused on establishing the first seniors healthcare membership program, which offers a broad array of unique personalized services for this segment.

This innovative and rapidly growing platform is called HeyDay and it's in its very early stages, but already has nearly 75,000 senior members. Supporting the needs of this fast growing senior segment in strategic markets around the world represents an attractive growth opportunity for Cigna.

Our deep international experience in the individual market is also proving to be an advantage as we harness our analytical expertise to enhance and create solutions for the growing employer, individual and supplemental markets in the U.S. Our strong track record of meeting customer's needs in our global supplemental benefits business has resulted in leading financial performance over a sustained period of time.

Specifically over the last five years, our Global Supplemental Benefits business has delivered average annual growth in revenue of 19% and earnings growth of 20%. In addition, these businesses generate high return on capital in very attractive markets.

Cigna's substantial international footprint, differentiated capabilities and local teams of talented professionals enable us to effectively compete in some of the world's attractive existing and emerging

growth markets. Given our strong market position and our ongoing strategic investments in local supplemental benefits, over the long term, we continue to expect 15% average annual growth in both revenue and earnings from this important segment.

Turning now to our portfolio of diversified businesses, as we look to the future and acknowledge the complex challenges and market conditions that lay ahead, we are energized by what we view as a tremendous opportunity to grow our capabilities and further enhance the experience in value proposition for the customers we serve.

At Cigna, we remain well positioned for sustained long-term growth with an industry leading global reach and strong capabilities that are only grounded in our clear and focused strategy. Over the course of 2014, we remain confident that each of our businesses will deliver continued growth.

In addition, the strong returns on capital from our business give us flexibility to drive additional shareholder value through capital deployment opportunities. As we look beyond 2014, given our strong financial position, our capabilities to create value for our customer and clients, and multiple growth businesses, we remain committed to our long-term average EPS growth target of 10 to 13%.

Now to summarize my remarks before turning it over to Tom, Cigna's strong financial performance during the second quarter marks another quarter of competitively attractive revenue and earnings growth. The increasingly complex nature of change in the current business landscape presents significant opportunities to further innovate and grow.

In our targeted markets around the world, we are harnessing the power of data and insights and building an increasingly agile network of partners with the goal of driving differentiated value for our customer and clients as well as our shareholders.

These capabilities, leveraged across our diversified portfolio of businesses around the world, remain grounded in the strong execution of Cigna's clear and focused strategy. And our clear and focused balance sheet continues to give us a flexible platform for additional shareholder value creation.

And now I'll turn the call over to Tom for a more detailed look at our results and our outlook.

Tom McCarthy, Chief Financial Officer:

Thanks David. Good morning everyone. In my remarks today, I will review Cigna's second quarter 2014 results and discuss our outlook for the full year. Overall, this quarter's results are strong, driven by continued, clear execution of our strategy with meaningful contributions from each of our business segments.

Key highlights in the quarter include: consolidated revenues grew 9% to \$8.7 billion driven by continued growth in our targeted markets, consolidated earnings grew to \$530 million, quarterly earnings per share increased 10% to \$1.96 per share, and free cash flow remains strong as we continue to deploy capital for the benefit of shareholders, with \$1.15 billion of share repurchases on a year-to-date basis.

The strength of these results provides us with good momentum and confidence in our full year financial outlook for 2014. Regarding the segments, I will first comment on our Global HealthCare segment. Global HealthCare results were strong, driven by our commercial employer group business.

First quarter premiums and fees for Global HealthCare grew 8% to \$6.1 billion. This result reflects continued good growth in our ASO programs as demand for these products remain strong. We ended second quarter 2014 with 14.2 million Global Medical customers, growing by approximately 170,000 customers on a year-to-date basis.

First-quarter earnings were \$402 million and were primarily driven by business growth and specialty contributions.

Turning now to medical costs, we continued to deliver medical costs that reflect better health outcomes and strong clinical excellence for our customers and clients as a result of our deep collaborative relationships with physicians and our focus on personalization of care.

Our commercial medical trend continues to be among the lowest in the industry and given that over 85% of our U.S. Commercial customers are in transparent ASO funding arrangements, our clients directly benefit from these favorable medical costs.

Medical costs also continue to reflect the recent low utilization trend. Regarding medical care ratios, in our U.S. Commercial Guaranteed Cost business, our second quarter 2014 medical care ratio or 'MCR', was 83.1% on a reported basis or 84.3% excluding prior year reserve development.

Our Commercial employer risk business has continued to deliver strong results reflecting strong pricing, disciplined underwriting, and continued effective medical management physician engagement. The Guaranteed Cost MCR in the quarter also continued to be impacted by higher than expected claims on our Individual business.

In our Seniors business, our second quarter MCR for Medicare Advantage was 84.8% on a reported basis, or 85.1% excluding prior-year reserve development. Second quarter Medicare Advantage results continue to reflect progress on the network and medical management actions we discussed in previous quarters along with revenue pressure from the low rate environment.

Across our commercial and seniors risk books of business, our second quarter earnings included favorable prior-year reserve development of \$16 million after tax compared to \$20 million after tax in the second quarter of 2013.

Moving to operating expenses, for second quarter 2014, the total Global HealthCare operating expense ratio was 21.5%. This includes the impact of the industry fee which added about 110 basis points to the expense ratio in the quarter and was offset by efficiency gains and expense discipline.

To recap, we had another strong quarter in our Global HealthCare business. Now I will discuss the results of our Global Supplemental Benefits business which David profiled earlier. This business continues to deliver very attractive growth and profitability.

Premiums and fees grew 18% quarter-over-quarter for Global Supplemental, or 13% on a currency adjusted basis. Second quarter earnings grew 24%, or 15% on a currency adjusted basis to \$61 million reflecting business growth, effective operating expense management, and stable benefit ratios.

For Group Disability and Life, second quarter results were also strong with premium and fee increases of 5% over second quarter 2013. Second quarter earnings in our Group business increased 6% to \$110 million. The quarter's earnings included a \$35 million after-tax favorable impact from a reserve study on our Group Disability business as well as strong operating results in disability, underscoring the strong fundamentals in our disability and productivity programs.

For our Corporate and Other Operations, results totaled to an after-tax loss of \$43 million for second quarter 2014.

Overall, as a result of the continue effective execution of our strategy, our second quarter results reflect strong revenue and earnings contributions from each of our business segments as well as continued significant free cash flow.

Turning to our investment portfolio, in the second quarter we recognized net realized investment gains of \$43 million after-tax coupled with a strong net investment income result. We are pleased with the quality and diversification of our investment portfolio and our overall investment results.

Now I will discuss our outlook for 2014.

We expect to continue to deliver differentiated value for our customers and clients and strong financial performance for our shareholders in 2014. We now expect consolidated revenues to grow in the range of 5% to 8% over 2013, an increase of 1% versus prior guidance.

Based on the strength of our first half results, our outlook for full year 2014 consolidated adjusted income from operations is now in the range of approximately \$1.94 billion to \$2 billion or \$7.20 to \$7.40 per share. This represents an increase of 10 cents per share at the midpoint over our previous expectations.

Consistent with past practice, our outlook excludes any contribution from additional capital deployment and any additional prior year reserve development. I would also note that full year 2014 adjusted income from operations includes approximately \$110 million after tax or 40 cents per share of acquisition-related amortization expense.

I will now discuss the components of our 2014 outlook starting with Global HealthCare. We expect full year Global HealthCare earnings in the range of approximately \$1.61 billion to \$1.64 billion. Regarding Global Medical customers, we continue to expect 2014 customer growth of approximately 1 to 2%.

Turning to medical costs, our year-to-date medical cost trend for a total U.S. Commercial book of business is favorable to our prior outlook of 5% to 6%, reflecting continued effective medical costs management and physician engagement and low utilization trend.

As a result, we now expect full year medical cost trend to be in the range of 4.5% to 5.5%, which is 50 basis points lower than our prior guidance. This updated range continues to contemplate some uptick in utilization over the balance of the year.

Regarding medical care ratios, for our U.S. Commercial Guaranteed Cost book of business, we continue to expect the 2014 MCR to be in the range of 81% to 82.5%. This reflects continued strong results in our Employer Group business and pressure in our Individual business.

ACA enrollees continued to be high utilizers of healthcare services and likely will push our 2014 Guaranteed Cost MCR to the high end of our range. We continued to expect the impact of pressure from the Individual business will be manageable within our overall diversified portfolio.

For our Seniors business, our Medicare Advantage MCR for 2014 continues to be in the range of 84% to 85%. Regarding operating expenses for 2014, we continue to expect our total Global HealthCare operating expense ratio to be in the range of 22.5 to 23.5%.

This outlook reflects increased spending for open enrollment costs in strategic initiatives in the second-half of 2014 which will impact both the Global HealthCare operating expense ratio as well as adjusted income from operations.

Now, moving to the other components of our outlook. For our Global Supplemental Benefits business, we continued to expect strong topline growth, and earnings now in the range of \$205 million to \$220 million.

Regarding the Group Disability and Life business, we now expect full year 2014 earnings in the range of \$315 million to \$330 million. Regarding our remaining operations, that is Corporate and Other Operations, we now expect the loss of \$185 million for 2014.

So all in for full year 2014, we expect our outlook for consolidated adjusted income from operations to be in the range of approximately \$1.94 billion to \$2 billion or \$7.20 to \$7.40 per share. I would also highlight that we expect earnings and EPS in the second-half of the year to be comparable between the third and fourth quarter.

Now moving to our 2014 capital management position and outlook, Overall, we continue to have excellent financial flexibility. Our subsidiaries remain well capitalized and are generating significant free cash flow to the parent with a strong return on capital in each of business segments. Our capital deployment strategy and priorities have not changed.

These priorities are providing the capital to support the growth of our ongoing operations, pursuing M&A activity with a focus on acquiring capabilities and scale to further grow in our targeted areas of focus, and after considering these first two items, we returned capital to shareholders, primarily through share repurchase.

Regarding free cash flow, we ended the quarter with parent company cash of approximately \$325 million. During the period May 1 to July 30, we repurchased approximately 5.5 million shares of Cigna's common stock for \$500 million bringing our total year-to-date share repurchase to approximately 13.5 million shares for \$1.15 billion.

After considering all sources of and uses of parent company cash, we now expect to have approximately \$750 million available for deployment during the balance of the year. Overall, our financial position and capital outlook remain strong. The high returns on capital from our businesses coupled with our strong balance sheet means that we will continue to generate free cash flow to deploy for the benefit of the shareholders.

Now to recap, our second quarter 2014 results reflect the strength of our diversified portfolio of global businesses and a continued track record of effective execution of our strategy.

The fundamentals in our businesses remain strong as evidenced by strong growth in revenue and earnings, competitively attractive medical costs and quality outcomes that directly benefit our customers and clients and continued strong free cash flow.

Based on the strength of these results, we are confident in our ability to achieve our full year 2014 earnings outlook. And with that, we will turn it over to the Operator for the Q and A portion of the call.

Matthew Borsch – Goldman Sachs:

Could you give us a little more detail on what you're seeing in the Individual business - how your read on the exchange utilization has changed over the course of the quarter and what you expect will happen in the back half?

David Cordani, President and Chief Executive Officer:

Matthew, good morning, it's David. Let me just give you a little color of our approach to the Individual, and specifically, the exchange business, and I'll tell you what we're seeing. First, our view of that marketplace is that 2014, 2015, and 2016 really represent version 1.0 of the market, so there's a lot to play out. For long term success, we think that three things need to be in place. Clearly, insurance offerings must cover needed sick care as well as proven preventative care. But in addition to that, for sustainability, we think two things are important. One is supporting engagement incentive based programs to get a more sustainable cost profile and health profile. And secondly, to enable ample network flexibility to engage and really focus on the high performing networks and the value based networks like our Cigna Collaborative Accountable Care Networks.

Now my comments on our experience come back to the five states we're focused on in the exchanges to date - about a dozen markets there. We saw two tranches of membership, the first tranche from first quarter 2014 and then the second tranche from the end of first quarter into second quarter.

As we discussed before, that first tranche was older than expected, purchased a little richer benefit profile than expected, and it's utilization of services was higher than our expectations and higher than any of our comparators. Classes of services including Oncology, Maternity, Musculoskeletal, etc. The second tranche through the latter part of Q1, beginning part of Q2, which saw another surge. A bit younger profile, purchased a bit leaner benefit profile, about the same amount of silver, but more bronze, less gold. It's early to tell in terms of how that's playing out, but early signs are a little bit more favorable or a little healthier population.

As we look to the second half of the year, we're anticipating to continue to see pressure here and our MCR outlook contemplates that we'll continue to see pressure. And we think we're in the early part of a shakeout year in 2014. Our final note is we position this business to be manageable. We didn't expect to make money, we're not making it here and there's some more pressure, but it's manageable within the broad diverse portfolio that makes up our company right now.

Matthew Borsch, Goldman Sachs:

Good, just one follow-up on the three R's. Where are you on accruals now or your outlook? I think you talked about expecting reinsurance to be under \$100 million for the full year and you're not accruing anything on the other two R's. Is that still where you are?

David Cordani, President and Chief Executive Officer:

Directionally through the first half of the year, we've accrued a total of about \$60 to \$65 million after tax. The majority of that is in reinsurance and our outlook contemplates a similar pattern in the second half of the year based on the experience we're seeing right now.

Matthew Borsch, Goldman Sachs:

Okay thank you.

Justin Lake, J.P. Morgan:

Thanks, good morning. Just wanted to drill down a little bit further on the exchanges given the guaranteed cost ratio in the quarter and all the uncertainty on what's going on with medical cost trends given hospital results. Can you help us delineate the core guaranteed costs MCR versus what's going on in the Individual business? For instance what is the Individual MCR right now and where is that relative to where it was last year?

David Cordani, President and Chief Executive Officer:

Justin, it's David. Let me frame the overall earnings profile, and I'm going to ask Tom to walk through the guaranteed cost MCR with a bit of clarity here because there's some movement quarter to quarter. Couple headlines coming in - first, as we stepped into 2014, we acknowledged that it was again a very disrupted and uncertain year and we set goals and objectives as you know to grow revenue, earnings, and EPS, while continuing to invest in the company.

Our results year to date for the aggregate franchise are strong and they demonstrate that balance in our portfolio. And net-net, we're pleased with our results through the first half of the year. Overall our lost ratios and our medical costs are in line with our expectations as Tom noted for our aggregate book of business. Our medical costs are a little favorable versus our expectations and led us to improve our outlook on medical cost trend.

And specifically, the variance that we're seeing in our aggregate guarantee cost lost ratio is driven explicitly by the Individual block of business, which is a larger percentage of our Guarantee Cost of block of business than maybe the market average. So I'm going to ask Tom to give you a little bit of color in terms of the drivers of that movement and give you a little bit more dimensioning of what's driving the individual portfolio.

Tom McCarthy, Chief Financial Officer:

Justin, I'd say there are three major headlines related to our Guaranteed cost MCR this quarter that I'd like to make sure you take away and then I'll get into some of the nitty gritty. First, as David said, our employer group business MCR continues to perform well and remains very consistent with our expectations. Second, the primary driver of the increased Guaranteed cost MCR is from our Individual

business. And then finally, as you'd expect, in period to period comparisons, there are a number of moving parts that are reflected in the quarterly results and I'll get into that in a minute.

So, looking at the sequential increase from second quarter of 2014 versus first quarter of 2014. First, there was more favorable prior year development recorded in the first quarter than the second, that's kind of a normal pattern. Second, there is continued pressure from Individual results and Individual share of our Guaranteed Cost business continues to increase as the Individual business grows quarter to quarter.

And then finally there is an impact from benefit structure across all of our risk business, reflecting the increased impact of deductibles which results in a low first quarter MCR.

The combination of these three factors push the reported Guaranteed Cost MCR up by like seven points sequentially. The impact on the quarter MCR is about evenly spread across all three of these factors: reserve development, individual pressure and benefit structure. Again, adding it all together, our employer business MCR remains consistent with our expectations and outlook, and our Individual MCR is still high and likely to push our full year MCR to the high end of our range.

Justin Lake, J.P. Morgan:

Okay, maybe I can come at it another way and then I'll jump off. It's just I'm trying to think about the sustainable earnings power of the business. You are talking about losing money in exchanges, and that seem to be increasing. Can you give us some color around the magnitude of that loss and how we should think about it? What are you doing on the Individual business right now and where you think that can go next year giving your pricing actions? And then in 2016, what a normal margin would look like so that we can get some idea of what kind of headwind this is and where it would go from there?

David Cordani, President and Chief Executive Officer:

Yes, sure Justin, so stepping back, we believe that this marketplace has the potential for being a sustainable attractive market. What does that mean? a 3 to 5% margin business. We would have to be able to get the returns that we would expect. Two in the early shakeout period, we knowingly went into a market where we did not expect that to transpire given the profile of the states, the dynamics, and the moving parts.

Three, well we expected to have earnings pressures in this book of business. The rate of earnings pressure is growing and you and some of your peers put out at the end of the first quarter that full year loss is in the \$50 - \$60 million range. That was accurate, order of magnitude in first quarter, assume that that pressure continues to mount a little bit beyond that based on our outlook. Even with that in our outlook for 2014 we're able to not only achieve, but increase, our overall earnings expectations which we're proud of in the diversified portfolio.

Finally, as we look at 2015 we're going to remain in the five states we're in, and our expectation is that we're going to enter three additional targeted states with targeted focus with our collaboratives, and apply some of our learning from this year. Make no doubt about it, our expectation is to improve off of the 2014 result, which is not sustainable. So long term would be the 3 to 5% margin expectation.

To recap, earnings pressure in 2014 exists and is increasing, but we're managing that within our overall portfolio, and we would expect to improve on this result in 2015.

Justin Lake, J.P. Morgan:

Thanks for all the color.

Scott Fidel, Deutsche Bank:

Thanks, wanted to discuss the Medicare Advantage MLR which looks like that was in line with your full year target, but at the higher end of that range, and was up sequentially. So maybe if you just can walk us

through the drivers of the higher MA MLR sequentially, how much relates to less reserve development compared to the run rate of the business? And then talk about if there were any particular markets that drove the higher sequential MLR and MA.

David Cordani, President and Chief Executive Officer:

Scott, good morning, it's David. I'll give you a little bit in terms of how we're looking at the business through the first six months and ask Tom to give you the specific reconciliation of the MLR. As you know we were clear as we stepped into 2014 that we expected 2014 and 2015 to be a pretty disrupted marketplace, rate pressure industry fee, etcetera. It's also important to note that this is a market that is highly valued by seniors with now fully 30% of all Medicare coverage in a high satisfaction rates industry wide for MA driven by higher engagement with physicians that a clinical outcomes better services.

To date we're actually pleased with the target actions we implemented to improve the overall results. Actions have included some product positioning pricing actions, but very targeted network movements as well as targeted and medical management. It's important to note that, as you indicated,, our year to date loss ratio is in line with our expectations for both the first half of the year as well as our full outlook.

The only other qualitative comment I will give you is there are no unique hot spots by market that I would call out for you, you know there's a portfolio we're managing, but there's no unique hot spots. I'll ask Tom to give you a little bit of the reconciliation and movement Q to Q, but overall expectations are in line with what we had for the first six months of the year.

Tom McCarthy, Chief Financial Officer:

Scott, you pretty much hit on the key factor in the sequential increase from first quarter 2014 to second quarter 2014. Much of the increase relates to favorable prior reserve development that was reported in our first quarter results.

If you adjust for the PYD, the MCR increased from about 84% in the first quarter to about 85% in the second quarter. So this is consistent with our expectations in our outlook for the full year. One percent increase is within the range of expectations for normal quarterly variance here and likely also reflects some deferral of services from the first quarter into the second quarter which would be very consistent with the low utilization recorded in the first quarter.

Scott Fidel, Deutsche Bank:

Okay, and then had a follow-up question. I would be interested if you can give us an update on how things are tracking around the National Account selling season for 2015 and then also interested in what you're seeing out in the market in terms of employer interests, in terms of large case employers shifting towards private exchanges, in the context that recently Aetna talked about how they're seeing a slowdown in that activity level or at least the signing level of that particular theme for 2015?

David Cordani, President and Chief Executive Officer:

Scott, it's David, a little color on both. Relative to 2015 and again we'll speak to the National Accounts piece because that is where we'd have some visibility. Important to remember we define that buying segment a little more narrowly than the market does in total. So when I give you a comment on National Accounts – it is commercial employers with 5,000 or more employees that are multi state, so we define it a little bit more tightly.

And also important to note a strategic objective has been to hold market share in aggregate in a marketplace that's shrinking, while growing our penetration and engagement incentive in specialty based programs. So as we look to the marketplace for new business opportunities year over year we've had about the same looks in terms of size of the pipeline. And our view of what's emerging there is that our win ratio will be similar year over year on new business.

Second point, on the portion of our book of business that was out to bid year over year, our percent of our book of business that was up to bid was up somewhat year over year driven by the cycle of the contracts we have. Within that, our retention rate of wins of those pieces of business that are out to bid are about the same. But because the percent that was out was a little higher, our net losses will be a little higher year over year.

Putting the picture all together for 2015,, while not giving you guidance, we'd expect to see continued progress in terms of some new business sales, continued penetration of our specialty and engagement based capabilities which are critical and we've got good traction. And a little softer retention rate than we had over the prior year which was an outstanding retention rate. Last note I would say here, it's good to get through this year because again a meaningful percentage of our book of business was out to bid based on contractual cycle and the team is going to come through that pretty favorably.

As it relates to private exchanges, as we noted early in that innovation cycle may present a long term attractive marketplace that we're fully engaged in. That marketplace has to have transparent products and services that engage individuals with variability around the incentive programs and a lot of flexibility for ongoing innovation so programs can remain sustainable, affordable, etcetera.

To date we're positioning the vast majority of exchanges, the activity we've seen has been a lot of interest in exploration, including our own proprietary exchange, but a modest amount of net movement. So netting it all together from a Cigna standpoint, net-net ,a de minimis of wins and losses, but interest in the space and the key here is demonstration of long term value creation which we think that dialogue will continue into 2016 and 2017.

Scott Fidel, Deutsche Bank:

Okay, thank you.

Carl McDonald, Citi:

Great thanks, first question was just wanted to go back to the comment around the pattern of the three R's being similar in the second half of the year. I would think given the way the reinsurance works you should be seeing maybe exponential growth in the accruals in the second half, rather than a similar pattern.

Tom McCarthy, Chief Financial Officer:

Carl, I know there's been some commentary on that lately. Our expectation is that the three R impact when you net through all of them all they are is the reinsurance, the risk - adjusters and risk corridor will probably be proportionate through the balance of the year.

Carl McDonald, Citi:

How would that be though if the reinsurance kicks in at \$45,000? Presumably you'd have a lot more people hitting that in the second half of the year than you did in the first?

Tom McCarthy, Chief Financial Officer:

We've got a few things going on right, we will have more premium as we go through the year or two, and we would also tend to develop claims to expected outcomes and have some share of that reflected in our accruals to date.

David Cordani, President and Chief Executive Officer:

Carl, it's David, maybe to add on when we say proportionate to Tom's very important point in terms of more premium, as you know the premium is rating and ramping up throughout the course of the year, so don't think about it as absolutely dollar amount, think about it in proportion to premium. So to your

hypothesis, it will grow somewhat, but we're not signaling a tremendous spike in the last portion of the year, but rather a proportionate pattern to our current premium profile in the first half of the year.

Carl McDonald, Citi:

And then, second question is just where does the individual business stand from an enrollment perspective today and it'd be helpful if you broke that out between exchange and off exchange and then what percent of the guaranteed cost revenue are you anticipating for the year?

David Cordani, President and Chief Executive Officer:

Carl, the Individual business, think about we said before 250 to 300 thousand lives we do expect to be approaching 300 hundred thousand lives and maybe stepping back a little bit, slightly less than 50% of that is ACA exchange business that we're dealing with in terms of our portfolio. As it relates to percent of Guaranteed Cost business, it's ranging between 25 and 30% and as we move toward the end of the year we'd expect it to push up toward 30%.

Carl McDonald, Citi:

Great, thank you.

Ralph Giacobbe, Credit Suisse:

Thanks, good morning. Just want to go back to the Individual book and try to ask in a different way – how much did it actually pressure the MLR in the quarter? In other words, if you just took the Individual book out of your business, how would the MLR compare to the 83.1% that you reported?

Tom McCarthy, Chief Financial Officer:

Ralph, I don't think we're going to get into the specifics of that level of detail, but again as far as the sequential increase,, Individual again accounted for about a third of that seven point sequential increase and the Guaranteed Cost MCR was performing exactly as we had expected. Now you know there are a few things going on in the Guaranteed Cost MCR, we've got some things coming out like limited medical, we've got some things coming in like pricing for the health insurance tax.

And we've got as we talked about the benefit structure changes running through the quarters. But adjusting for all those things, Guaranteed Cost MCR is exactly where we expected it to be, very consistent with our expectations. And again as we look to the outlook we're staying in the range that we talked about, but acknowledging that given the pressure in Individual we're going to be at the high end of that range.

Ralph Giacobbe, Credit Suisse:

Can you talk about reconciling that with the taking down of your trend guidance for the year despite higher MLR's? Is that in the context of including the ASO block that drags that number down in terms of cost trend? I'm just trying to reconcile down cost trend, but up MLR.

David Cordani, President and Chief Executive Officer:

Ralph, it's David. I think that's an important point. Stepping back, when you look at that cost trend, we talk about that aggregate commercial cost trend is across our commercial portfolio. So to remind you greater the 85% of our commercial portfolio is ASO, another 7% or so in Shared Returns, and then the residual some of less than 10% in Guarantee Cost in total., so that's the block in totality.

We've consistently delivered very attractive competitive trend there, and we're quite pleased with the fact that when we enter the year with an expectation at the low end of the competitive range of five to six percent, As we noted in our prepared remarks, our year to date trend is below that range, a number that

starts with a four. Hence we have improved that outlook to 4.5% to 5.5% for full year 2014, which is separable from looking at the Guaranteed Cost lost ratio. The underlying medical trend for the aggregate portfolio is performing very well.

Why, great penetration of aligned incentive and engagement based programs, strong clinical management, and then continued emerging leverage of our physician partnerships in those collaborations, so that's transpiring. If you come back to Tom's point in our employer gGuaranteed Cost book of business, our MCR's are right where we expected them to be, rate execution, medical cost of trend netting to a favorable result and a very strong result. The simple delta in the Guaranteed Cost MLR is driven by the Individual block of business, which is a large percentage as I noted before, 25% to 30% of the Guaranteed Cost portfolio.

Ralph Giacobbe, Credit Suisse:

Okay, thank you.

Joshua Raskin, Barclays:

Hi, thanks. I hate to harp on the Guaranteed cost MLR, but I'm doing some rough math - if I assume you had \$80 million of exchange premiums at 100% MLR, I think that's only explaining something in the ballpark of 100 basis points year over year and a little bit less sequentially. So I'm struggling to see if it's the remainder of the Individual book that's performing much worse, and if so, why is that?

Tom McCarthy, Chief Financial Officer:

Josh, let's go back to the major headlines here, again, we we've got the - you've got that already I think employer group as we expect individual the source of the pressure and the number of moving parts. So the number of moving parts you know can be instructive in the quarter over quarter comparison, right. The quarter over - in the quarter over quarter comparison the most significant impact in the MCR increase is Individual.

That explains about three quarters of the 400 basis point increase, and some of that relates to the fact that we had very low MCR Individual business in the second quarter of last year and now we're seeing an average higher MCR individual business in the second quarter of this year. That dynamic really is impacting the quarterly results and obviously we're also showing Individual as a higher share of our premium in the second quarter of 2014. I think you've probably low-balled the ACA premium estimate in your math.

Joshua Raskin, Barclays:

Okay, and is it 125,000 lives now and trending slightly down?

David Cordani, President and Chief Executive Officer:

Josh, think about our lindividual book of business being in the 275 to 300 thousand range with the ACA lives in excess of 100 thousand and we're not flagging a big trend down for the year. We may move from 300 thousand down to 280 in that range, but we're not flagging a big trend down for the year. When we look at the drivers here though, important to note we see the kind of pressure in the aggregate individual book of business because most of our individual lives are in states that allowed the movement of the keeping plans and movement to the ACHP.

So, take this entire 300,000 lives, look through the revenue that goes along with that, ACA is in excess of 100,000 and again 300,000 for the full year potentially rating down to 280,000 by the end of the year.

Joshua Raskin, Barclays:

Okay, and then just a follow-up on a couple of those one timers, the reserve study of \$35 million in Disability and Life. Was that expected at that sort of normal course of business, i.e. was that in guidance? And then what was the favorable currency impact? You haven't really called that out in the past so is that an above normal benefit that you saw in the quarter?

Tom McCarthy, Chief Financial Officer:

Josh, the first question on the currency, we call that out just to make sure people stay grounded on growth rates in our Global Supplemental Benefits business. In the overall scheme of things it's about a \$4 million impact, so it's not really that material to earnings.

On the reserve study question, we've got a consistent track record of continuing to refine our return to work and productivity programs in our Disability business and over time some of those show up in the run rate of the business and some of those outcomes show up in the reserve studies. While we don't actually, specifically plan on a reserve study benefit, we do plan on operational improvements that will improve results in Disability. It's one of these things that specific study and the results from that specific study weren't planned for, but some level of improvement in Group results was planned for and contemplated in the outlook.

Joshua Raskin, Barclays:

Got you, so the guidance really had it whether it was explicitly in a reserve study or not, you did expect \$35 million of Disability earnings coming through that mechanism.

Tom McCarthy, Chief Financial Officer:

We expected some improvement in the year. Quite frankly we didn't necessarily expect it this quarter, it's kind of over the course of the year. But you got the general idea, we were expecting improvements.

Joshua Raskin, Barclays:

Okay, perfect.

Kevin Fishbeck, Bank of America, Merrill Lynch.

Thanks. Can you go into the MA business a little bit more? There were some questions about it in the fourth quarter of 2013 and it seems like the last couple of quarters has come in a lot better, but can you talk about it in the context of how you're thinking about 2015? I know some of your competitors have given some color about how many counties they're going to add next year or new markets they're going to enter next year and just some general commentary around how the benefit designs are shaping up? Do you have any color around your positioning for next year?

David Cordani, President and Chief Executive Officer:

Sure Kevin, It's David. As we noted previously, we're pleased with the traction thus far through the first six months and some of the actions we've taken to hitting targeted geographies to sharpen the networks, further accelerate some of the clinical programs, our paying dividends and results. As we look into 2015, our primary expansion strategy in 2015 will be to leverage additional counties off of some of our new market entries from 2014. So think in order of magnitude of 40 to 50 additional counties that lever off of market entries we went in, in 2014. Off of that, there'll be some county exists as well but the net result will be total entry of additional counties.

As it relates to benefit positioning, we'll step into 2015 with a notion of continuing to maintain an attractive benefit profile. As you know, our model has had the ability because of efficiency with the physician partnerships to build some additional benefit richness for the benefit of our respective customers and we expect to maintain a good level of attractiveness especially in our integrated and highly engaged markets and therefore, we would expect to grow as we step into 2015.

Kevin Fishbeck, Bank of America, Merrill Lynch:

Okay and then, on the Guaranteed Cost business, it looks like membership is down. What's going on there? Are you seeing pricing pressures and you're walking away from business? How should we think about that?

Tom McCarthy, Chief Financial Officer:

Relative to Guaranteed Cost, save for the portion that's in the Individual block of business, it's a smaller portfolio for us, a well performing but smaller portfolio. What we continue to see is continued very strong appetite for ASO with Stop Loss programs that are highly transparent and work very collaboratively with employers to get the incentives aligned. We see higher levels of engagement and therefore a better return. So as we've discussed in prior calls, we'll frequently offer a Guaranteed Cost and an ASO with Stop Loss program side by side either for new business or a renewal, and we continue to see the take up on the ASO with Stop Loss program.

Order of magnitude, think about it within our new business sales in the Select segment, which are employers with 50 to 250 lives, about 70% of all of our new business sales are ASO with Stop Loss versus two years ago it was about 50/50 between ASO and Guaranteed Cost. Still a third of new sales are in Guaranteed Cost but the ASO with Stop Loss program and transparent proposition continues to grow very attractively.

Kevin Fishbeck, Bank of America, Merrill Lynch:

Okay. So this is more a planned shift of your customers to a different product option rather than necessarily a cost or pricing issue?

Tom McCarthy, Chief Financial Officer:

No. Broadly speaking, I would say the pricing environment continues to be competitive and no major change and when you say plan shift, that would just add to that. In our consultative approach where we're a bit agnostic at the end of the day as to which funding alternative an employer takes because in that space, either of them are highly penetrated with our specialty portfolios and what we want to do is provide choice and thus far, the choice has lead to more of the transparent funding mechanisms. So we are providing choice in funding type but the marketplace is telling us they value that choice more so with the 70% of new business sales being ASO with Stop Loss.

Kevin Fishbeck, Bank of America, Merrill Lynch:

Okay. Great. Thanks.

Christine Arnold, Cowan:

Hi there. Thank you for the questions. I have a few clarifying questions. I'm hearing that the aggregate trend is separable from Guaranteed Cost. So am I hearing that even excluding Individual, your trend commentary doesn't necessarily apply to the underlying Guaranteed Cost?

Tom McCarthy, Chief Financial Officer:

Christine, I'd say that we just want to be clear. There are two different reference points. One is the total commercial book for trend and one is the Guaranteed Cost book. In fact, in the overall trend result, we don't get the disproportionate impact from individual on our overall business and the GC MCR is disproportionately impacted from individual.

Now, they run in the same range so it's not like we're calling out major differences on the employer group business and depending on which program type people select but there certainly is a big difference in the

relative impact of Individual. It's disproportionately impacting the Guaranteed Cost MCR and it really has a minimal impact given it's such a piece of our overall business on the overall book of business trend result.

David Cordani, President and Chief Executive Officer:

Christine, to add onto that, if you take Tom's comments relative to the Employer Guaranteed Cost portfolio, that book of business continues to perform very positively and in line with our expectations as does the overall medical cost trend. We're just trying to highlight that the impact of the Individual block of business is more disproportionate on the Guaranteed Cost MCR but the lower overall medical cost trend is benefiting all of our employer block of business.

Christine Arnold, Cowen:

So the Employer Guaranteed Cost trend is decelerating about 50 basis points as well?

David Cordani, President and Chief Executive Officer:

Our aggregate medical cost trend is decelerating 50 basis and you should think about that as across our entire employer block of business.

Christine Arnold, Cowen:

Okay. So as I think about Stop Loss and reinsurance, you are selling a lot of that. The attachment points are a bit lower. I can conclude that you are benefiting even within that business from trend deceleration. Is that true?

Tom McCarthy, Chief Financial Officer:

You should think about the Stop Loss book of business as a large book of business that covers both Regional as well as smaller employers with various attachment points and configurations and a book of business that has grown, continues to perform well and is re-priced in a dynamic fashion. The current economic environment benefits, very importantly, the employers, through lower medical costs and we benefit from some of that through the design of the Stop Loss Programs.

Christine Arnold, Cowen:

Okay and then final question from me, you said you have some accruals in the Individual book of business for expected outcomes in response to a question for the three R's. So I can assume that you know what your profile of this membership looks like and are accruing all three R's somewhat evenly through the year even though folks may not have hit that \$45,000 attachment point yet for reinsurance? Is my understanding correct?

David Cordani, President and Chief Executive Officer:

As we look to Reinsurance, yes. Again, as it relates to the other R's, we are being a little thoughtful about knowing that the information there is still a little scarce. So trying to be cautious in how we're accruing that.

Ana Gupte, Leerink:

Thanks. Good morning. I want to follow-up on the question from Josh around your Individual book. I think you have about at least 200,000 lives as I understand from your previous Individual book and I'm wondering if you had a lower MLR on those before the ACA and because of risk pooling that has deteriorated as well? Not just in the states you're expanding but elsewhere?

David Cordani, President and Chief Executive Officer:

Ana, the answer is yes.

Ana Gupte, Leerink:

Okay. So is that a big component of the 3% MLR deterioration you're seeing?

Tom McCarthy, Chief Financial Officer:

It's a component, but I wouldn't call it a big component. Again, the dynamic for the year is very high MCR's in the ACA related business and that business will grow over the year both in the momentum of enrollment. Also we do expect reductions in our legacy Individual business throughout the year and off period enrollment into ACA Programs. So the dynamic will be shifting toward more ACA business as we go through the year.

Ana Gupte, Leerink:

One of your competitors has been saying that they've been selected again because the not for profit Blues or even Well Point are getting more previously insured people. Do you think you are getting selected against and if so, and if they are ACA compliant, would you not be eligible for risk adjustment beyond which you're rejecting for this year?

David Cordani, President and Chief Executive Officer:

Ana, it's David. I'm not going to speculate on who's getting selected for and against. I think the important thing here is a couple fold and I'll come back to your risk adjustor comment in a second.

We're in the very early phase of the establishment of a new market and it is clearly dynamic and somewhat volatile. We sought to position our play in that marketplace as focused, targeted and manageable within the overall portfolio and our aggregate earnings reinforce that. Any selection dynamic is going to be state specific and is playing through and we'll flush through the 2015 renewal cycle, and finally, as Tom referenced in a prior comment, on the other two R's other than reinsurance, well, we've recognized some level there.

We sought to be on the conservative or prudent range. Hence, there may be some additional opportunity there, but again, we're trying to give a lot of visibility to this book, make sure our shareholders understand that it's manageable within our portfolio even though there's pressure in it and finally, that we have reflected what we think is the conservative end of some of the assumptions on the other two R's given the volatility of the market.

Ana Gupte, Leerink:

Are you comfortable about next year considering this could become 50% of your Guaranteed Cost book and in your pricing strategy for your on and off exchange products either because you're encouraging forced attrition or on exchange trying to improve your loss ratios but you wouldn't get a continually deteriorating book if you raised pricing on exchange just because of a potential second mover advantage?

David Cordani, President and Chief Executive Officer:

I'm not too concerned about a second mover advantage at this point. This is a new market, a very dynamic and moving marketplace. I think the most important point back to yours is insuring laser focus of specific resources, understanding the performance of the book of business, targeting benefit designs, pricing models, et cetera and finally, where possible, leveraging our collaborative relationships so this population is becoming more actively managed more rapidly because what we're seeing in the utilization is an undermanaged or under served population. So I don't think the second mover advantage is an issue

in the markets we're talking about and we would expect a lot of movement in the markets in 2015. It's still a very immature marketplace.

Andy Schenker, Morgan Stanley:

Hi. Good morning. You mentioned increased spending and open enrollment costs as related to op ex spend, but op ex spend in the first half was still well below your guidance. Could you just remind us about the types of investments in the second half and the expected timing as well as how we should think about some of that spending on a run-rate basis?

David Cordani, President and Chief Executive Officer:

Andy, it's David. Just broadly speaking first – our strategy has guided us to drive continued operating improvements in the business and I'm proud of the fact that our organization has rallied around that and you've seen continued improvement in our operating expense ratio which has, in part, created further capacity for ongoing investment. 2014 marked another year, when you adjust for the industry tax, of improvements in our operating expense ratios. Our results are strong and in line with our expectations year to date and our expectation in the second half of the year is that we'll see increased strategic spending. I'll give you some examples.

Staffing to support new Medicaid expansion and contracts, readiness for January new business, expanded marketing and branding programs, expanding distribution as well as the geographic investments in our international business and then ongoing technological investments. Stepping back, I think we've demonstrated a good balance of making sure the rate, pace and timing of investments are prudent and that the returns demonstrated with our sustained growth rate is also there. So that gives you a little example of what we're contemplating in the second half of the year and the team will continue to be disciplined relative to that.

Andy Schenker, Morgan Stanley:

Okay and then changing direction here a little bit. We've seen obviously a continued declining unemployment rate. I was just wondering if you're seeing any impact on your in group growth versus, obviously, the attrition we've seen over the last several years and if that's varied at all by your customer size and book?

David Cordani, President and Chief Executive Officer:

Andy, it's David. I would say slight. So as the unemployment rate has come down somewhat, as you know, unfortunately for the country, in part, some of that is people leaving the workforce. Say for that in some of our industries, we've seen the rate of, I'll call it, disenrollment or attrition slow, send the tides and in some cases a little in group growth. So small movement. I wouldn't signal a spike by any stretch of the imagination but small movement from a continued disenrollment to a stabilization to in many of the industries, a bit of an uptake of enrollment.

Andy Schenker, Morgan Stanley:

Does that vary at all by market segment or is there more growth in the Select segment, perhaps, versus National Accounts?

David Cordani, President and Chief Executive Officer:

Absolutely. We see the National Accounts segment as a net shrinking segment in the country right now based on a whole variety of reasons of employment profile. Commercially, as you go down market to the Select segment, or 50 to 250 life employer market, we see some attractive growth there both organically in the employer profile as well as our share of that.

Peter Costa, Wells Fargo:

Hi. Thanks for taking my question. With your membership growth targeted to be 1 to 2% this year and you're talking about retention being down for next year, without putting words in your mouth that sounds like you're talking about flat to down membership next year. With the lowest trend in the industry and even lowering it again here today, why do you think you don't see more growth? Is there some - is it just a breath issue for you guys or is there some other issue that you need to address strategically to rectify why accounts are leaving?

David Cordani, President and Chief Executive Officer:

Peter, I would caution you not to extrapolate the comments on the National Accounts commercial portfolio to the aggregate book of business, number one. Two, we're quite proud of the fact that we've had a high retention rate in aggregate across our business and net growth year over year that has been profitable growth year over year. My comments were specific to the National Accounts segment and specifically to retention because the contractual cycle we were in with many cases had those cases out to bid, but our overall retention rate when the dust settles will be attractive.

We would expect the ability to grow in 2015. I've given you guidance. The strength of our Regional Segment, which is the largest segment of our portfolio, the strength of the Select Segment, which is the fastest growing portion of our portfolio, continues to perform very well and in part, our aggregate enterprise retention is driven by just what you pointed at. A tremendous medical cost trend on a competitive basis that is benefiting clients and customers that we're serving. So overall, the portfolio is in good shape and our commercial growth is expected to be positive both competitively as well as in absolute terms next year.

Peter Costa, Wells Fargo:

Okay. Is there anything you're going to do to address what's going on with the National Accounts or is that just something you're going to expect going forward to continue to be an issue?

David Cordani, President and Chief Executive Officer:

Yes. If you step back and look at the last handful of years, our performance in the National Accounts segment has been totally in line with our strategic expectations. Holding share and changing profile of the business to more engagement, incentive based and driving specialty program penetration. So for example, when we talk about 2015, you'll see further specialty penetration.

Deepening share of wallet, which enables us to have a deeper and broader set of clinical programs, which fuels our ability to deliver the returns for our clients, and we would expect to see continued success there. So there are no specific unique actions. We're just signaling the fact that we had higher percentage of our book of business out to bid. You'll see a small variance in National Accounts which won't be a big variance for the enterprise in totality given the strength of the Regional and the Select segments.

Dave Styblo, Jefferies:

Hi there. It's Dave Styblo. A couple of questions. The first one is could you just peel back the onion more on what is the source of the Individual medical cost being higher? Can you elaborate on what categories those are and the trends? Are they accelerating, decelerating? What prescription data versus claims data that you have in that book and then more broadly, as we look forward, what exactly are the steps that you're looking to resolve? Is it more pricing, network adjustments, medical management? That would be helpful.

David Cordani, President and Chief Executive Officer:

Dave, it's David. I made brief references previously so in the first tranche of life's that came on, we saw much, much higher utilization services. So categories - I'm not going to give you the traditional inpatient, outpatient professional because professional because it cuts across multiple categories but think about

major episodes of care. Oncology, maternity, musculoskeletal are examples. In some of those categories of care we tell you that it was pent up demand or services in flight that are assumed in the portfolio.

The second tranche from the latter part of first quarter and beginning part of second quarter suggested a bit younger population. You make a reference to pharmacy. The combination of the demographics and early analytics in pharmacy would infer somewhat of a healthier population. So there is an opportunity to see some stabilization there and we need to see that play through the population as we go into the second half of the year.

As it relates to actions, all of the above. Product positioning, network sharpening, clinical management programs and again, you have an underserved population in many cases that we need to get involved in clinical management. So all of those opportunities present positive dimensions to increase clinical quality and engagement which will improve cost which improves sustainability from affordability but pricing network and clinical management programs all being targeted in specific geographies and specific programs for 2015.

Dave Styblo, Jefferies:

Okay. Then maybe the follow-up would just be – and you did this a couple times throughout the call but on a more broad basis – how are you thinking about the 2015 headwinds and tailwinds at this point and are you willing to broadly characterize how you might see EPS growing next year?

David Cordani, President and Chief Executive Officer:

Dave, it's David. So relative to 2015, we're not going to provide guidance for 2015 at this point. Consistently – it's too early in the cycle. Before I get to headwinds and tailwinds, it's important to note that our underlying working assumption is that the 2015 marketplace will continue to be a disrupted and challenging marketplace, with a continuation of ACA implementation, Medicare revenue pressure, version 2.0 of the shakeout of the public exchanges, and the global economy being fragile. In that context, we're proud of the fact that we have a well positioning international business that as we referenced in our prepared remarks, the individual as well as the group portion that are performing well.

Secondly, we have a very well performing effective Group insurance portfolio that has performed well and will continue to perform well. Within the employer landscape, we see sustained traction with our largest segment which is the Regional segment as well as our fastest growing segment which is the Select portfolio. Against that backdrop, you have the disruption of ACA implementation, Medicare disruption, public exchanges and then lastly, we'll continue to see the rate and pace of our strategic investments.

We've been prudent, we've created the capacity to invest, but the rate and pace of our strategic investments, both outside the U.S. and inside the U.S., will come into play in terms of the net guidance we provide as we approach 2015.

A.J. Rice, UBS:

Hi. You're putting pressure on me here. I'll ask you about two areas that you haven't been asked about. Any update on the PBM, both from the perspective of the integration of activities with Catamaran and the selling season? Also from time to time there's been discussion about capital allocation strategy adjustments -- thanks for the comments in the prepared remarks -- but any update in your thinking relative to dividends or any other changes in the capital allocation?

David Cordani, President and Chief Executive Officer:

A.J., it's David. I know you never whither under pressure, so no problem there. I'll address the PBM question and then I'll ask Tom to address the ongoing capital management philosophy and strategy.

As we've discussed before, our PBM is well positioned and is a strong performing asset. In fact, in our statistical supplement, you'll see continued growth in PBM lives. We've taken a couple of strategic steps

to further advance our capabilities there. Examples include shared purchasing leverage, access to a leverage of a leading technological platform and opportunities for future shared innovation. Programs tracking well is the headline.

It's tracking well from the external marketplace. It's tracking well in terms of our operating plans and as we go into the later portion of this year, again, we'll continue to manage the rate and pace of investments in that program, but the net headline there is we continue to be pleased with our underlying value proposition, the overall program and the marketplace feedback continues to be very positive. I'll ask Tom to talk about the ongoing capital management strategy philosophy.

Tom McCarthy, Chief Financial Officer:

A.J., there's really not much news there. As you know, our preference is to deploy capital to support organic growth or find attractive shareholder value creating acquisitions. Absent that, right now our primary vehicle to return capital to shareholders is share repurchase. We do periodically evaluate whether a dividend should play a more important role in that, but right now, we've haven't really made any change in direction.

A.J. Rice, UBS:

Okay. Thanks a lot.

David Cordani, President and Chief Executive Officer:

Thank you for joining today's call. To conclude, I'd like to emphasize just a few key points from our discussion this morning.

Cigna's second quarter results were strong and reflect meaningful revenue and earnings contributions from each of our business segments. Our performance was driven by the continued effective execution of our clear and focused strategy and the contributions of our more than 35,000 talented colleagues that work around the world.

We continue to strengthen our differentiated distribution capabilities across our diversified businesses to improve the health, well-being and sense of security of the people we serve around the globe.

Based in part on our first half performance, we are confident in achieving our increased outlook for 2014 on a full year basis and we are committed to achieving our long term average annual EPS growth of 10 to 13%. Thank you again for joining us this morning and your continued interest in Cigna and we look forward to continued discussion in the future.

END