CIGNA CORPORATION

FIRST QUARTER 2010 INVESTOR TELECONFERENCE
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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

CIGNA Corporation and its subsidiaries (the "Company") and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company's filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management's beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company's productivity initiatives, litigation and other legal matters, operational improvement initiatives in the health care operations, and the outlook for the Company's full year 2010 and beyond results. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe", "expect", "plan", "intend", "anticipate", "estimate", "predict", "potential", "may", "should" or similar expressions.

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

1. increased medical costs that are higher than anticipated in establishing premium rates in the Company's Health Care operations, including increased use and costs of medical services;
2. increased medical, administrative, technology or other costs resulting from new legislative and regulatory requirements imposed on the Company's employee benefits businesses;
3. challenges and risks associated with implementing operational improvement initiatives and strategic actions in the ongoing operations of the businesses, including those related to: (i) growth in targeted geographies, product lines, buying segments and distribution channels, (ii) offering products that meet emerging market needs, (iii) strengthening underwriting and pricing effectiveness, (iv) strengthening medical cost and medical membership results, (v) delivering quality member and provider service using effective technology solutions, (vi) lowering administrative costs and (vii) transitioning to an integrated operating company model, including operating efficiencies related to the transition;
4. risks associated with pending and potential state and federal class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company's businesses, including disputes related to payments to providers, government investigations and proceedings, and tax audits and related litigation;
5. heightened competition, particularly price competition, which could reduce product margins and constrain growth in the Company's businesses, primarily the Health Care business;
6. risks associated with the Company's mail order pharmacy business which, among other things, includes any potential operational deficiencies or service issues as well as loss or suspension of state pharmacy licenses;
7. significant changes in interest rates and deterioration in the loan to value ratios of commercial real estate investments for a sustained period of time;
8. downgrades in the financial strength ratings of the Company's insurance subsidiaries, which could, among other things, adversely affect new sales, retention of current business as well as a downgrade in financial strength ratings of reinsurers which could result in increased statutory reserve or capital requirements;
9. limitations on the ability of the Company's insurance subsidiaries to dividend capital to the parent company as a result of downgrades in the subsidiaries' financial strength ratings, changes in statutory reserve or capital requirements or other financial constraints;

10. inability of the program adopted by the Company to substantially reduce equity market risks for reinsurance contracts that guarantee minimum death benefits under certain variable annuities (including possible market difficulties in entering into appropriate futures contracts and in matching such contracts to the underlying equity risk);
11. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating the Company's liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
12. adjustments to the assumptions (including annuity election rates and amounts collectible from reinsurers) used in estimating the Company's assets and liabilities for reinsurance contracts covering guaranteed minimum income benefits under certain variable annuities;
13. significant stock market declines, which could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and the Company's pension plans in future periods as well as the recognition of additional pension obligations;
14. unfavorable claims experience related to workers' compensation and personal accident exposures of the run-off reinsurance business, including losses attributable to the inability to recover claims from retrocessionaires;
15. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the Company's operations, investments, liquidity and access to capital markets;
16. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the businesses of our customers (including the amount and type of health care services provided to their workforce, loss in workforce and our customers' ability to pay receivables) and our vendors (including their ability to provide services);
17. adverse changes in state and federal laws and regulations, including health care reform legislation and regulation which could, among other items, affect the way the Company does business, increase cost, limit the ability to effectively estimate, price for and manage medical costs, and affect the Company's health care products, services, technology and processes;
18. amendments to income tax laws, which could affect the taxation of employer provided benefits and certain insurance products such as corporate-owned life insurance;
19. potential public health epidemics, pandemics and bio-terrorist activity, which could, among other things, cause the Company's covered medical and disability expenses, pharmacy costs and mortality experience to rise significantly, and cause operational disruption, depending on the severity of the event and number of individuals affected;
20. risks associated with security or interruption of information systems, which could, among other things, cause operational disruption;
21. 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;
22. 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
23. the ability of the Company to execute its growth plans by successfully managing Great-West Healthcare's outsourcing projects and leveraging the Company's capabilities and those of the businesses acquired from Great-West to further enhance the combined organization's network access position, underwriting effectiveness, delivery of quality member and provider service, and increased penetration of its membership base with differentiated product offerings.

This list of important factors is not intended to be exhaustive. Other sections of the Company's most recent Annual Report on Form 10-K, including the "Risk Factors" section 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, and with me this morning are David Cordani, our President and CEO, and Annmarie Hagan, CIGNA's Chief Financial Officer.

In our remarks today, David will begin by briefly commenting on CIGNA's first quarter results and discussing the progress we have made to date with our growth strategy. He will also provide his perspective on health care reform and the opportunities we expect to pursue in the post-reform environment.

Annmarie will provide a detailed review of the financial results for the quarter and will discuss the full year 2010 financial outlook. She will also provide an update on our achievements and expectations related to our expense reduction and capital management goals as well as our growth strategy. We will then open up the lines for your questions.

As noted in our earnings release, CIGNA uses certain non-GAAP financial measures when describing its financial results. A reconciliation of these measures to the most directly comparable GAAP measure is contained in today's earnings release which was filed this morning on Form 8-K with the Securities and Exchange Commission and is posted in the Investor Relations section of CIGNA.com.

In our remarks today, we will be making some forward-looking comments. We would remind you that there are risk factors that could cause actual results to differ materially from our current expectations. Those risk factors are discussed in today's earnings release.

Before turning the call over to David, I will cover a few items pertaining to our first quarter results and disclosures. Relative to our Run-off Reinsurance operations, our first quarter shareholders' net income included after-tax income of $5 million, or 2 cents per share, related to the Guaranteed Minimum Income Benefits Business, otherwise known as GMIB.

I would remind you that the impact of the Financial Accounting Standards Board's fair value disclosure and measurement guidance on our GMIB results is for GAAP accounting purposes only. We believe that the application of this guidance does not represent management's expectation of the ultimate liability payout.

Because of application of this accounting guidance, CIGNA's future results for the GMIB business will be volatile as any future change in the exit value of GMIB's assets and liabilities will be recorded in shareholders' net income.

CIGNA's 2010 earnings outlook, which we will discuss in a few moments, excludes the results of the GMIB business and, therefore, any potential volatility related to the prospective application of this accounting guidance.

Regarding our disclosures, beginning with the first quarter of 2010 we have expanded our quarterly statistical supplement to provide additional information in two important areas: that is, the medical operating expenses for our Health Care segment and membership detail for our International segment.

For medical operating expenses, we now provide a breakdown of the expenses by major functional categories that is consistent with how our management team and Board of Directors analyze our expenses and measure our progress in executing on our cost reduction strategies.

For the International segment, we now provide a breakdown of premium revenue by line of business as well as an analysis of premiums by geographic concentration for our Health, Life and Accident operations.

We also now disclose the medical membership for our Expatriate and International Health Care businesses by funding type. We believe these expanded disclosures are beneficial in providing investors and analysts with enhanced transparency into our diversified portfolio of global health service businesses.

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

David Cordani (President and Chief Executive Officer):

Thanks, Ted, and good morning, everyone. Before Annmarie reviews our first quarter results and full year outlook, I'll briefly comment on our progress to date with our growth strategy supported by our strong first quarter results, and I'll provide a perspective on reform and the opportunities we expect to pursue.

So let's get started.

As I reflect on the strategy work that our management team undertook last year, I could say today that overall I'm pleased with the progress we have made in a short period of time.

I asked our business leaders to take a hard look at each of our businesses and we made some tough fundamental choices, all with the goal of creating a portfolio of strategically-aligned businesses that have the potential to deliver meaningful earnings growth on a sustained basis.

As a reminder, our enterprise strategy has three major components: to reposition our portfolio, to improve strategic and financial flexibility and to pursue additional growth opportunities.

The “how” part of the equation is to drive profitable growth by “Going Deep,” “Going Global” and “Going Individual.” We will do this with laser focus on those geographies, market segments and products that play to our strengths and have meaningful growth prospects over the long term.

These segments are: the Middle Market segment--this is our largest segment with over 6.5 million medical members today; the Select segment, as we build momentum post the successful integration of the Great-West acquisition; our Disability product line, where our return to work program leads the industry and improve employee productivity; the National Accounts segment, where we retain a very sharp focus on clients who are seeking incentive-based programs as well as integrated programs, both focused on improving health and productivity; outside the U.S., our Health, Life and Accident products, particularly in Asia, and finally our Expatriate business, for both U.S. domiciled corporations and non-U.S. domiciled corporations.

I view our first quarter results as a first step towards successful execution of our long-term strategy.

We reported first quarter earnings of $1.01 per share, which exceeds our expectations and represents meaningful year over year earnings growth. These results reflect the collective strength of our diversified ongoing businesses: Health Care, Group Disability and Life, and International.

The diversification of our global portfolio is especially valuable during these unique market conditions.

We generated attractive earnings growth in each of our ongoing businesses and strong revenue growth in our targeted market segments.

For Health Care, we had better than expected membership growth in the quarter. Importantly, we achieved that growth in our targeted market segments.

Our first quarter results also support our goal of attaining strategic and financial flexibility.

Our subsidiaries remain well-capitalized, and their results generated strong operating cash flows.

We made progress in reducing our medical operating expenses and remain committed to achieving ongoing operating expense reductions.

Overall, our first quarter results represent a solid start to achieving our full year strategic operating and financial objectives.

As we've described in the past, two macro challenges have affected everyone--the global economic turbulence as well as U.S. health care reform. Today I'll spend a few minutes on the second item, reform, and our go-forward position post-reform.

We have a team of individuals dedicated to understanding and evaluating the legislation that was passed. With those learnings we are focused on three areas: first, compliance with the current legislation and further determining the potential impact to our existing businesses based on potential regulatory scenarios; second, proactively assisting regulators with the conversion of legislation to regulation; and third, identifying and seizing opportunities that this disruption in the market will cause.

The legislation that was passed increased access for Americans which is a very good thing. However, the reform effort is incomplete and not sustainable as currently constructed. Now we must focus on the cost and quality aspects; two more critical legs to the stool.

Success here is key to making our health care system complete and sustainable. The estimated costs to employers and individuals are staggering and so are the costs of unhealthy and less productive people.

In this challenging environment, we've been able to deliver real value for our customers and clients. We've already seen the benefit of individual involvement within our own company and with many of our customers for incentive and engagement-based programs.

In fact, our four-year track record now demonstrates that medical costs for individuals that are engaged and supported by incentives and information were 26% lower than traditional programs over a four-year period.

This was achieved while levels of engagement, health compliance and health care actually improved. These powerful results demonstrate that when plans are properly designed with incentives, information and assistance, individuals get involved and take additional responsibility for their own health.

The outcome: while prevention goes up, compliance with drug programs goes up, compliance with chronic care management goes up and costs go down. That's right, costs go down--14% in the first year and 26% lower over a four-year period.

So how do we shape the American health care system so it delivers high quality clinical outcomes while remaining financially solvent for future generations?

We need to transform our system from focusing on sick care to healthy care as well, from passive customers to active customers, from opaque and confusing information to highly transparent and actionable information and from doctors being paid for a volume of service to payment for quality of outcomes.

In this environment our mission, which is to help the people we serve improve their health, well-being and sense of security, is more important than ever. Not just in the U.S., but around the world.

The path forward is to design and implement programs that engage individuals and drive quality improvements and, as a result, delivering cost reduction. The successful recipe here has four critical components.

First, we must create awareness of health issues, health risks and what individuals can do about them.

Second, we must align financial incentives for individuals and their employers, as well as for physicians and other healthcare professionals, to encourage healthy lifestyles and quality outcomes.

Third, we need to provide straightforward, easy to understand information to individuals about the cost of care, treatment options and alternatives, as well as expected quality outcomes.

And fourth, we must provide assistance through trained health care professionals who can give people resources to make better decisions, support their efforts to become healthier and help them navigate our complex health care system. Getting people more involved and tightly linked with their physician makes sense from a well-being standpoint, but also from a cost standpoint.

So, in this highly dynamic environment, what can you expect from CIGNA? You can expect CIGNA to continue to develop innovative health and wellness programs that help individuals and employers to effectively manage health care costs while improving the health and the productivity of individuals.

You can also expect CIGNA to take innovative actions by partnering with physicians and hospitals to enhance the current health care system by incenting them on quality of outcomes rather than just the quantity of activities.

An example of using incentives and information is our Collaborative Accountable Medical Home Program. This patient-centered model is an approach that supports the shift from fragmented costly health care to coordinated care anchored by the patient-physician relationship.

The goal is to improve quality and lower medical costs by expanding access and improving care coordination for patients. The primary care physician has overall responsibility to provide first contact, continuous and comprehensive care and care coordination across the health care system.

The physicians in this model receive additional compensation for care coordination services and may receive additional compensation beyond that based on improving the quality of health outcomes.

They are also supported with additional information on their patients, all focused on reducing risks and improving health. This is just one example of paying for quality, rather than solely based on quantity.

The second example of using awareness and incentives is our worksite and retail care delivery, biometric screening and health coaching capability, all designed to provide convenience and quality outcomes for our CIGNA customers.

Outside the U.S., you can expect to see CIGNA further accelerate our growth profile as we continue to see very attractive segments and geographies to leverage our programs.

One example, relative to individuals, is the tremendous opportunity we have to broaden our products and services as the middle class grows around the world.

Another example relates to employer coverage for non-expatriates. Take China, for example. Here employers are seeking access and accessibility to high quality physicians and hospitals along with some health service coordination.

I firmly believe we need to continue to engage individuals, employers and health care professionals to lower cost, improve productivity and increase competitiveness. This is key to sustainability for any person, any corporation or for any country.

In wrapping up my comments on where we go post U.S. health care reform, our earliest estimate is that we believe CIGNA is well positioned in this environment.

Our diversified product portfolio and global geographic footprint provides us with new and attractive opportunities for expansion. And overall, we believe a time of disruption like this presents good opportunities for CIGNA to expand our business.

In conclusion, I want to again emphasize the strength of our reported first quarter results which reflects effective execution of our growth strategy, strong aggregate earnings from our diversified ongoing businesses and a strong capital position.

Our team is excited about the progress we're making, and I'm confident in our growth strategy and in meeting our 2010 operational and financial goals.

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

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

Thanks, David. Good morning, everyone. In my remarks today, I will review CIGNA's first quarter 2010 results and highlight the progress we are making on our global growth strategy. I will also provide an update to our full year outlook.

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

Our first quarter consolidated earnings were $281 million or $1.01 per share compared to $188 million, or $0.69 per share, in the first quarter of 2009. This reflects the strength of our global portfolio with each of our ongoing businesses reporting year-over-year earnings growth.

I will now review each of the segment results, beginning with Health Care. First quarter 2010 Health Care earnings were $167 million. This result primarily reflects commercial medical membership growth, which bring strong specialty contributions, and a guaranteed cost loss ratio that was in line with our expectations.

Medical operating expenses are reflective of our continued commitment to service excellence and investment in our strategic growth areas. We remain on track to deliver full year medical operating expense reductions of $55 million pre-tax.

I will now discuss the specific drivers of the Health Care results. Health Care membership increased 2.8% in the quarter. Excluding growth in our Medicare Advantage Private Fee For Service business, membership was up 2%.

This result reflects focused execution of our strategy, with membership growth coming primarily in our Middle Market and Select segments. In addition, the membership result reflects better-than-expected disenrollment levels due to stabilization in the employment markets.

As a result of this membership growth in the quarter, Health Care premiums grew 18% on a year-over-year basis, including growth in our Medicare Advantage Private Fee For Service and Medicare Part D products.

I will now provide an update on our medical cost results. Specifically, I will review our guaranteed cost results, our total risk results and provide some commentary on our medical claims payable reserves.

Overall, medical costs in the first quarter were in line with our expectations. Our first quarter guaranteed cost medical care ratio, or MCR, was 82.9%, including favorable prior year claim development of approximately $7 million after-tax. Excluding this favorability, our guaranteed cost MCR was approximately 84%, which is in line with our full year expectations of 83.5% to 84.5%.

Regarding flu-related claims, the level of paid claims were lower than expected in the quarter; however, given the uncertainty associated with flu-related claims, we have maintained our expectations for a 60 basis point flu impact in our full year 2010 outlook for the guaranteed cost book of business.

In our core guaranteed cost book of business, we experienced an increase in medical membership of 82,000 compared to year-end 2009, driven by improved retention rates and new sales. We are pleased that we secured this level of growth while maintaining our pricing and underwriting discipline.

Regarding our consolidated risk results, we saw significant membership and revenue growth in both Medicare-related and commercial risk products in the quarter. This change in business mix, as well as the seasonably high loss ratios associated with the Medicare products, contributed to a total MCR that is higher than we have historically seen.

Specifically, the total risk MCR for the quarter was 84.9%, compared to 81.4% in the first quarter of 2009. Considering this new mix of business, results were in line with what we would have expected.

This 350 basis point increase in the total risk MCR is primarily driven by two main pieces. First, a higher mix of Medicare Advantage Private Fee For Service and Part D products contributed approximately two-thirds of the increase. And second, a higher mix of new business growth in core guaranteed cost contributed much of the remaining increase. As is customary, first year business is typically reserved assuming a higher MCR given the relative uncertainties.

Regarding our claim reserves, medical claims payable on a gross basis at March 31st were $1.34 billion, which is approximately $420 million higher than at year-end 2009.Approximately 75% of this increase is due to membership growth and mix of business changes, with the remainder mainly due to seasonality and medical cost trend.

Overall, we believe our reserve levels are appropriate and reflect the slower paid claim reporting typically associated with new business growth.

Regarding our experience rated book of business, results in the quarter were generally in line with expectations, with good member growth, reflecting strong retention and new sales. ASO earnings were favorable overall, driven primarily by strong contributions from our specialty businesses.

I will now discuss the results of our other segments. First quarter earnings in our Group Disability and Life segment were $70 million including a net favorable impact of $10 million after-tax related to a reserve study on our life book of business.

Results also reflect favorable accident claims experience and higher than expected net investment income. In addition, we achieved solid premium growth in this segment with particularly attractive sales in Disability, a key area of focus in our global growth strategy. Results in the quarter were strong overall, and this segment continues to deliver attractive margins.

First quarter earnings in our International segment were $72 million, which is a very strong result and a record quarter for this business. Results reflect competitively strong margins due to favorable persistency and solid new sales within our Health, Life and Accident business.

We also saw strong renewal rate execution and improved claims experience in our expatriate benefits business. Our International results also include a favorable $5 million after-tax impact of implementing a capital management strategy for our Hong Kong business, which reduces our effective tax rate for current and future periods.

The International business continues to provide attractive growth opportunities as we execute on the ”Go Deep” and ”Go Global” components of our strategy.

Overall, the diversification of earnings from our Health Care, Group and International businesses continues to be key to our go-forward global growth strategy. Results in the first quarter reflect a benefit of this diversification.

Earnings for our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, totaled to a loss of $28 million for the quarter. VADBe results were essentially breakeven for the first quarter, compared to an after-tax loss of $47 million in 2009. I would note that no VADBe reserve strengthening has been required since the first quarter of 2009.

Our Corporate results include a $5 million after-tax charge related to the recent health care legislation which limits the future tax deductibility of certain retiree benefit programs and compensation.

Now I would like to highlight the progress we are making on our enterprise growth strategy. First quarter results demonstrate solid growth in each of the business areas of focus, specifically in our Middle Market, our Select segment, Disability and our Global product offerings.

Our medical membership growth in the Middle Market segment was strong, reflecting good case persistency and new sales. These new customers purchase medical and specialty coverages, which will allow us to more holistically manage the health and wellness of our customers.

Member growth in the Select segment reflects stronger retention rates and good sales, due in part to the success of the benefit programs that we rolled out in the second half of 2009. In the Select segment, we have also seen membership stabilization in our ASO customers who also purchase stop loss, which we believe is driven by continued improvement in the economy.

Our National Account business performed as expected, and we continue to focus on those employers who value engagement and incentive-based products offered on an integrated basis. And while it is still early in the selling season, we are seeing good volume for the 2011 pipeline in National Accounts.

Regarding our Disability business, we saw solid premium growth in the quarter, which further supports our position as an industry leader in this space.

And finally, relative to the ”Go Deep” and ”Go Global” elements of our business strategy, we continue to see strong Health, Life and Accident sales in targeted countries, as well as improved persistency relative to 2009.

Overall, we are pleased with the progress we have made to date in executing on our strategic, operational and financial goals.

Now I would like to provide a brief update on our efforts to reduce our medical operating expense base, which is a top priority and a very critical component of our business strategy.

We remain committed to reducing our medical operating expense base and to making meaningful progress in closing our competitive gap while maintaining service excellence and making prudent investments to fuel growth in our strategic areas of focus.

Total Health Care operating expenses were flat quarter-over-quarter, and were approximately $1 billion on revenue growth in excess of 10%. Medical operating expenses, which is the area we focus on for cost reduction, were down 4% versus the first quarter of 2009, while membership was flat.

Specifically, medical operating expenses were $678 million in the quarter, which is lower than the first quarter of 2009 by $31 million pre-tax. This quarter-over-quarter improvement is largely due to cost reduction actions initiated in the second half of 2009. Again, we remain on track to achieve full year 2010 medical operating expense savings of $55 million pre-tax.

Beyond these 2010 expense actions, we remain committed to achieving additional medical operating expense savings of $150 million to $200 million pre-tax over 2011 and 2012, while ensuring continued service excellence and strong clinical delivery.

We will also make appropriate tradeoff decisions regarding our strategic investments and the potential impact of health care reform. As we move forward, we continue to identify opportunities for medical expense savings in five key areas: procurement, real estate, efficient use of technology, targeted outsourcing and employment-related costs.

Turning now to our investment portfolio, results continue to be strong relative to the challenging market conditions. Our first quarter net realized investment losses totaled $3 million after-tax. Overall, we continue to be quite pleased with the high quality and diversification of our investment portfolio, and we believe our problem investment exposure continues to be manageable.

I will now discuss our capital management position and our outlook, including a summary of our subsidiary capital and our parent company liquidity.

Overall, we continue to have a strong balance sheet and good financial flexibility. Our subsidiaries remain well capitalized, with statutory surplus well in excess of our regulatory minimums.

As evidence of our improved financial profile, Moody's recently upgraded our outlook from negative to stable. They specifically cited stronger regulatory capital, reduced financial leverage and greater parent company liquidity. Moody's also noted that our business profile helps to mitigate the potential adverse impact of health care reform.

Regarding parent company liquidity, we ended the first quarter with cash and short-term investments at the parent of approximately $700 million. This includes outstanding commercial paper borrowing of approximately $100 million.

Turning now to our full year 2010 capital management outlook, we started the year with $475 million of cash at the parent. We continue to expect full year subsidiary dividends of $1 billion. We continue to expect the full year net after-tax impact of the pension plan funding to be a net use of $150 million. And we expect full year other net uses of $275 million.

Putting all the pieces together, we expect to end 2010 with parent company cash of approximately $1.05 billion. This is $100 million higher than our previous expectations, reflecting our decision to maintain the outstanding commercial paper balance, which provides us with additional flexibility at a low cost.

Considering our parent company cash target of $300 million and the commitment of $100 million for commercial paper maturities, our outlook implies that we would have approximately $650 million available for capital deployment in 2010, which is consistent with our previous expectations.

Our capital deployment strategy has not changed. This strategy prioritizes the use of capital resources to first, provide capital necessary to support growth and maintain or improve the financial strength ratings of our subsidiaries. This includes evaluating potential solutions for our Run-off Reinsurance businesses and our pension funding obligations.

Second in our capital deployment strategy, we would consider M&A activity with a focus on acquiring capabilities or scale that would complement our existing portfolio and that would be in line with our global growth strategy.

And finally, absent these two items, we would return capital to our investors through share repurchase. I would remind you that we do have outstanding share repurchase authority, and we will continue to evaluate repurchase activity subject to market and industry conditions and other capital management priorities. Overall, our capital outlook for 2010 remains quite positive.

I will now review our earnings outlook. Our consolidated full year 2010 earnings outlook has not changed from our previous expectations. However, the components have been updated.

We now expect higher earnings from our International and Group Disability and Life businesses, offset by higher losses in Corporate. For full year 2010, we continue to expect consolidated adjusted income from operations of $1.05 billion to $1.15 billion.

With respect to our VADBe book of business, we expect results to be breakeven for the remainder of the year, as we believe our reserves as of the first quarter are appropriate.

We also continue to expect full year EPS in the range of $3.75 to $4.15 per share. Our earnings per share outlook does not include any potential impact from share repurchase.

Regarding the impact of the recently passed health care reform legislation, our consolidated earnings and EPS outlook now assume an unfavorable after-tax impact of $10 million, primarily related to new limitations on the future tax deductibility of certain retiree benefit programs and other compensation.

We do not expect the tax implications of health care reform to have a material impact on our overall effective tax rate for the year. Aside from these two tax-related items that I just noted, our consolidated earnings outlook assumes no further impact relative to health care reform.

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

Relative to medical membership, we now expect full year 2010 membership growth of approximately 2% to 3%, including growth in our Individual Private Fee For Service business. This is an increase versus our previous outlook of minus 1% to plus 2%. Excluding the growth in PFFS, we expect medical membership growth of 1% to 2%.

Relative to our guaranteed cost book of business, we continue to expect our full year MCR to be in the range of 83.5% to 84.5%, which is comparable to the 2009 result.

For our total book of business, we continue to expect full year medical cost trend in the 8% to 9% range. I would also reinforce our commitment to maintaining pricing and underwriting discipline across our product offerings.

As I highlighted earlier, we continue to expect to achieve medical operating expense reductions of $55 million pre-tax for the full year. Regarding our Medicare Advantage Private Fee For Service business, we continue to assume a breakeven result for the business in our full year outlook.

Moving to our Group Disability and Life and our International operations, we now expect these businesses to contribute full year 2010 earnings of $475 million to $505 million.

This is a $10 million improvement over our previous expectations, primarily reflecting the strength of the first quarter results. These two businesses consistently deliver competitively strong margins and we continue to see good demand for their products and services.

Regarding our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, we now expect a loss of $145 million for full year 2010. This loss is $10 million higher than our previous expectations, primarily reflecting the earnings impact of the recently passed health care reform legislation.

So all-in, we continue to expect consolidated EPS to be in a range of $3.75 to $4.15 per share.

Now to recap, our first quarter 2010 consolidated results reflect strong contributions from our ongoing businesses, demonstrating the value of our global portfolio.

Results in the first quarter demonstrate very good progress to date in executing on our growth strategy. We saw meaningful membership and revenue growth in our areas of focus, specifically our Middle Market, the Select segment, Disability and our Global product offerings.

We remain on track to achieve meaningful reductions in our medical operating expenses over the next three years. Our current capital outlook is quite strong, and our investment portfolio is of high quality. And finally, we are confident in our ability to achieve our full year 2010 earnings outlook, which represents competitively attractive earnings growth.

With that, we will now take your questions.

Matthew Borsch (Goldman Sachs):
Could you comment on your views on the not-yet-published medical cost ratio regulations and how you think those might or might not impact a number of areas: stop loss, expatriate health, voluntary limited benefits, dental, and finally the retrospectively experience rated product?

David Cordani (President and Chief Executive Officer):
Matthew, good morning. You said a mouthful in the question, so in terms of a laundry list of products: First, as you know, the implementation of the legislation, so the conversion of it from a legislative framework to regulation, is fluid, and as we noted in our prepared remarks, we're working collaboratively with the regulators.

As you might suspect, we're looking at a variety of scenarios. And, as of this week, the most recent external view of CIGNA's loss ratio performance suggests that we are compliant with, or in line with, the regulations.

We continue to work through a variety of scenarios right now. But today we feel like the mix of our portfolio is in reasonably good stead relative to the way the regulations are intended to emerge.

Matthew Borsch (Goldman Sachs):
Okay. And on a different topic, can you give us some sense of where your results on the big growth you had in Private Fee For Service are coming in and how you're monitoring those relative to your target?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Sure, Matthew. Good morning. Relative to our Private Fee For Service business, there's been no change really since we discussed this product last time.

As you remember we had significant growth in the quarter. And we had talked before about the risk profile of the business being in the 0.86 range which, as you'll recall, anything less than 1.00 is on the better side of the risk profile.

The demographics are coming in as we expected. And, as you probably know, the actual reporting of claims on this type of business comes in rather slowly.

So to date, we have seen nothing that would make us change our expectation relative to the assumption of breakeven results for the full year.

Matthew Borsch (Goldman Sachs):
Okay. Thank you.

Josh Raskin (Barclays Capital):
First question: I just want to make sure I understand all the moving parts on the International segment as that was obviously a big driver. So it sounded like there was that $5 million of the Hong Kong capital management tax change, I think was what you said.

And then in the press release you talked about $7 million of foreign exchange (FX) impact. But you also said that that was as expected. So should we assume that FX changes are actually in the guidance?

And then the third part of it: in the press release there was some discussion around the favorable claims experience for the expatriate business. And I was wondering if you could quantify what that was?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Sure Josh. First, our International operations, as I noted in my prepared remarks, had a very strong quarter. And we're very pleased with the execution against the growth strategy.

If you'll recall, when we rolled forward our International results for 2009 to 2010 we did expect to have favorable foreign exchange. So that $7 million worth of FX was contemplated in our outlook. And we would expect to see some of that as we go through the balance of the year.

The Hong Kong item is a one timer worth $5 million after-tax. Having said that, if you recall, we did some of this with Korea last year. So we continue to effectively manage our capital to get the most effective tax rates that we can on this International book of business. That will have a go-forward reduction in the effective tax rate.

And then finally, relative to the claims experience, the expatriate business has had some volatility. As you know that business bounces around from quarter to quarter. You might recall that the fourth quarter had some adverse experience. The first quarter had some strength.

So while you might be encouraged to take the International number and run rate that for the year, I would recommend that from a prudent perspective you consider that there will be some further claim volatility as we move through the year.

And as I've indicated in our prepared remarks, based on the first quarter results, we took the combined earnings in the Group and International businesses up by $10 million.

Josh Raskin (Barclays Capital):
What was the actual favorable experience in the expatriate business in the quarter?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Order of magnitude, $5 million.

Josh Raskin (Barclays Capital):
Okay. So you're suggesting maybe you take out $5 million for that, $5 million for Hong Kong and then it sounds like foreign exchange may continue, but maybe not to the same degree. So maybe International is closer to $60 million or so as the run rate? Is that fair?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Order of magnitude, that's not far off, considering also that there could be some normal claims volatility in addition to the $5 million impact in the quarter.

Josh Raskin (Barclays Capital):
Right, of course. And then just a quick follow-up on the other question. Do you guys have an expectation for your Medicare medical loss ratio and what the impact from a mix perspective is on that full year expectation of 83.5% to 84.5%?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Josh, the 83.5% to 84.5% is our core guaranteed cost loss ratio only. And as I indicated in my prepared remarks, excluding prior year development, it would be 84%, which is right in the middle of the range of our full year outlook. So it wouldn't impact that number at all.

What I also indicated in our prepared remarks was that the total medical loss ratio was up in the quarter because of the higher mix of the Part D and the Private Fee For Service businesses.

Order of magnitude, the PFFS loss ratio is in the high 90's range. And the Part D loss ratio as reported in our supplement is slightly over 100%.

That has some seasonal nature to it as well. But through the first quarter it's about 250 basis points on the total MCR, which is not the 83.5% to 84.5% number.

Josh Raskin (Barclays Capital):
Okay. And I'm sorry, the high 90's. There's seasonality in Private Fee For Service as well?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Yes, there is. Like many companies, we would expect some type of a risk adjuster as we go forward in the year.

I understand that many companies might accrue for that. But given that we're new in that business, we've taken a prudent approach and during the first quarter have not contemplated the amount of risk adjuster we will get as we go through the year on Private Fee For Service.

Josh Raskin (Barclays Capital):
Okay.

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
So that business improves from a loss in the first quarter to profits through the next three quarters, bringing us to the breakeven number that we have announced we expect for the full year.

Josh Raskin (Barclays Capital):
Okay. That makes sense. Thank you.

John Rex (JP Morgan):
Thank you. I just wanted to focus on the commercial book here for a second on the gains. I mean, the last many years have always taught us to be a little afraid of when companies are booking outsized gains in commercial risk versus the rest of the industry.

You gave some good commentary there in terms of what you're doing with reserves. But can you quantify for us – order of magnitude – the more conservative posture that you're taking on the new business there versus the renewing business? Just help us understand how you're approaching that at the outset here?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Sure, John. Relative to the new business, I understand your concerns. But we are quite pleased with the growth we got in both the Middle Market and Select segments.

They're our targeted geographies. They're our targeted segments. And the growth is in the geographies which are most beneficial to us. So I think that's important to keep in mind.

Relative to the conservatism, in the normal renewal block for our core guaranteed cost we ended last year with an MCR in the around 84% range. So embedded in our estimates is the assumption that new business is typically 2% to 3% higher from an MCR perspective than your renewal block.

And then, as you progress through the year you get more insight as to the experience and would adjust that accordingly.

John Rex (JP Morgan):
Okay. Were the gains biased in a few geographies? And you think about the success there and, again, just the context of no one else in the industry is showing risk gain this year. Maybe describe a little more where it's coming from?

David Cordani (President and Chief Executive Officer):

John, good morning. To your point biased in a few geographies, I would take the word “bias” out and say “focus.” So our Select segment, which is the predominant driver of the guaranteed cost book, is highly focused in a finite number of geographies, say 10 to 15 major markets.

Secondly, if we step back, think about those markets as the key geographies we wanted to focus on post the Great-West acquisition. And third, think about the challenge we had to restart the distribution engine post the acquisition and in a recession.

So we’re very targeted on a finite number of geographies, think 10 to 15 specific go-to-market products.

And very importantly, one of the things we were able to learn and leverage from the Great-West acquisition was their own orientation around going deep with key brokers. So it's highly focused on cohorts and brokers in individual markets.

So as Annmarie referenced, we're quite pleased with the focus we had in moving the business in the key geographies.

From a pricing standpoint as well, there’s typically a lot of transparency with the Great-West brokers because of the ASO business and the ASO stop loss business.

And now we've been able to bring a different funding mechanism to have two alternatives to use in working with those targeted brokers. So the key is focus on products by geography, and on brokers.

John Rex (JP Morgan):
Okay. And then just one follow-up on the minimum MCR impact question.

So, regardless of where your position on the loss ratio is at the moment right now, is your understanding that books like the Great-West book, the voluntary benefits book, and the expatriate book will even be subject to the minimum MCRs?

David Cordani (President and Chief Executive Officer):
John, we’re continuing to work through a variety of scenarios. What is most clear is what is included, starting with the traditional guaranteed cost framework.

As I referenced before, we view the process as quite fluid, and we’re coordinating in a very detailed fashion with the NAIC, the regulators, et cetera, and we're working through a variety of scenarios.

As we currently understand the picture today, and as I referenced earlier, the external view is in line with our internal view. And that is that our current loss ratio profile is, generally speaking, in line with the direction the regulations are heading.

But I would just stress that it’s fluid at this point in time and we continue to work very closely with the regulators and NAIC on it.

John Rex (JP Morgan):
And you include the voluntary book in that, in terms of the loss ratios being in line with regulations?

David Cordani (President and Chief Executive Officer):
Under a variety of our scenarios, John, you'd expect that we would be looking at it with and without a variety of product lines, so again looking at a variety of scenarios here.

John Rex (JP Morgan):
Okay. Thank you.

Christine Arnold (Cowen & Company):
To follow-up on this – if we think about the MLR floors, are you saying that the guaranteed cost MLR is in line with expectations but everything else is fluid or that everything is in line with the MLR floor?

David Cordani (President and Chief Executive Officer):
Christine, good morning. Again my general statement was that there was an external view or snapshot of the industry, and I commented that CIGNA's current performance and loss ratio is in line with the regulations.

Second, as I referenced before, it's still a fluid and dynamic process. And third, I think, very importantly, we don't believe you should look at any product line in a vacuum.

There are interdependencies on product lines. And as we're working with the regulators and NAIC, we have a ton of transparency in terms of the makeup of our portfolio.

The conclusion we hold today is that as currently configured with our broad portfolio of businesses, directionally we're in line with the expectations of the regulations. But we're still working closely with the regulators and the NAIC until there is closure.

Christine Arnold (Cowen & Company):
Okay, and then the commercial yield looked like it was under 5% in the quarter. And I know now that you're pursuing some of the Great-West membership you'll see mix issues, and we've seen increased deductibles. Can you speak to how you look at that yield versus being down last year?

And how do you manage this selection issue if you're going to Great-West members and saying, "Gee, you can be self-insured with stop loss or fully insured"? Can you just speak through those issues please?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Sure, Christine. I'll start on the yield, and then I'll hand it over to David to provide some cover on the selection issues.

As it relates to the yield, you're right. In our statistical supplement we have yields in the range of 2% to 3% quarter over quarter. And you're also correct in noting that it is a business mix issue.

So we look at it in a couple of components. If you look at the fundamental core guaranteed cost product, which would include the lower end of the market, the Select segment with the new products that we've introduced over the past year and a half, those numbers would exclude the ASO side of the house.

But the core guaranteed cost product has yields in the neighborhood of 5% to 6%. And then as you introduce the individual line, where we've been growing more significantly, and the voluntary line, that mix change brings it down to that 2% to 2.5% yield. And that is in line with our expectations and our pricing and underwriting metrics.

David Cordani (President and Chief Executive Officer):
Christine, from a selection standpoint as I referenced before, what's working for us right now, what's key to us going forward is our focus both geographically as well as on a subset of brokers to be able to work with. Our go-to-market approach for the Select segment, be it ASO or guaranteed cost, is to be highly consultative and to look at alternatives.

In some markets our lead product is ASO with stop loss. In other markets our lead product is guaranteed cost. And yet in other markets they're actually cohabitating side by side.

But the key there is working with the brokers and providing high transparency. And as Annmarie made reference to before, very important to us is consistency of pricing and underwriting execution, so we don't see large ebbs and flows year-over-year or on renewal cycle. And thus far that approach is working for us.

Christine Arnold (Cowen & Company):
Okay. Thank you.

Justin Lake (UBS):
Thanks. Good morning. First question is a follow-up on Private Fee For Service. You put out a release talking about your cooperation with Humana on an employer-based product.

I'm curious if you can talk a little bit about that and how you're viewing the Private Fee For Service product in general on the individual side as well from a bidding standpoint. Are you setting up networks? Do you expect to be in that segment in 2011?

David Cordani (President and Chief Executive Officer):
Justin, good morning. So, two parts to your question. First, relative to the Humana relationship, I would put a framework over the top of it. And that is CIGNA has long since viewed the ability to partner with key players as critical to us.

So whether you look at the Humana relationship, which I'll come back to in a moment, or various other alliances in the United States or partnerships we have outside the United States, we feel quite strongly about the importance of that framework and the ability to partner for the benefit of our customers.

In the case of the Humana Alliance for Medicare Advantage group programs, we're delighted because we were able to secure a best-in-class solution for the benefit of our clients to be coordinated with our distribution model.

And ultimately, one of the benefits beyond the single point of contact for an employer is as individuals approach Medicare eligibility you have a lot of continuity and coordination of care program preparation, et cetera.

So we're delighted about bringing the two organizations together from an alliance standpoint.

Now, separating that to the other part of your question, on Private Fee For Service, that alliance does not address the Individual Private Fee For Service block.

And, as you probably know, and implied in your question, our posture with CMS will need to be closed in the approximate June timeframe.

And we're currently going through a finite number of alternatives with CMS and would expect to have closure and clarity on that in June and obviously update you on our expectations for 2011 and beyond in the second quarter call.

Justin Lake (UBS):
Okay that's helpful, and then just a quick question, on the commercial mortgage book, that number continues to tick up even though it was fairly modest in the first quarter here. I'm just curious, from a capital standpoint, can you run us through again the impact there as far as when you need to recognize that and when that might start affecting your RBC ratio?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Justin, from a capital perspective, we cover that in our Connecticut General Life statutory surplus, and as I've noted many times before, we’re well capitalized there, well in excess of regulatory minimums.

Given the relatively minor movement that we've had in the problem loan portfolio over time, I'm not worried about the statutory surplus impact of those mortgage loans.

When we recognize an impairment is when it has become clear to us that we will not receive the cash flows that are expected on those businesses.

So as you and I have talked about before, we identify things as potential problems as soon as there is any indication of potential distress.

Having said that, there are many times where the potential problems actually get settled and resolved with no impairment. The statutory surplus in Connecticut General is now in the $4.4, $4.3 billion range, and these movements from mortgage loans have been in the $20 to $30 million range, aggregating up to $300 million or so. So that is not necessarily on my worry list...

Justin Lake (UBS):
So you don't expect that to be an issue for parent company cash at all this year?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
No.

Justin Lake (UBS):
Great. Thank you.

Doug Simpson (Morgan Stanley):
Hi. Could you update us on the pension funding outlook, just remind us how that would factor into thinking around deployment looking out a couple of years?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Sure, Doug. As you know, we are required to fully fund the pension under the Pension Protection Act over the next five years or so.

In 2010, we consistently indicated that we'll be contributing $150 million after-tax to the pension plan. On a before-tax basis, that's $210 million. And I would note that that is in excess of what is required. So we are making voluntary contributions to the pension plan. And if you factor that through given our unfunded liability that is in the $1.5 billion range, assuming all other assumptions around returns and interest rates kind of work out – as you know there are a lot of moving parts – we'd have that fully funded in accordance with the Pension Protection Act requirement. So you could guess that we would contribute around $250 million year before-tax, consistent with this year.

Doug Simpson (Morgan Stanley):
Okay. What should we be watching for on those other factors? Obviously, if rates move that would help you out in terms of the funding levels. Anything else we should be watching?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
The only other very important thing is the interest rate, the discount rate that we would use.

Doug Simpson (Morgan Stanley):
Okay. Can you remind us how that has changed in the last three years? I mean how does that get determined?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
I want to clarify, when you said rates move, I'm guessing you meant the investment returns?

Doug Simpson (Morgan Stanley):
Yes.

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Yes. So we have an investment return assumption of about 8%. As you know, by the end of last year we experienced significantly higher than that 8%, which helped out the unfunded position.

The other thing is the discount rate. So as interest rates move you would have to adjust your interest rate up or down, your discount rate. And you might recall at the fourth quarter we had to adjust it downward which actually cost us – approximately $150 million to $200 million on the unfunded liability.

As those rates improve, there will be opportunity there to close the gap as well.

And the final thing I'll note is that you are aware that we did freeze the pension plan. So from an accumulation of benefits perspective, that's no longer a risk.

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

Kevin Fischbeck (Bank of America):
Okay thanks, good morning. Can you remind us what your individual membership is in your small group, I guess defined as less than 100?

David Cordani (President and Chief Executive Officer):
Sure, Kevin, good morning. You should think about both of those combined as slightly less than 1% of our total membership. So think about, round numbers, just shy of 50,000 for the under 50 and over 50,000 for the individual business.

So think about, total about 110,000 members in both those lines.

Kevin Fischbeck (Bank of America):
Okay, great. And you talked a little bit about the cash and the uses of cash. Is there something that you're waiting for in particular when you think about deploying that capital? Is there some timeframe where we should think we'll see that more likely before the second half or are you waiting for M&A opportunities to shake out which might take a longer time frame? I guess any thoughts on timing of that capital deployment?

David Cordani (President and Chief Executive Officer):
So Annmarie walked through our capital deployment priorities. And we walked through the strategic priority of improving financial flexibility.

So headline number one and implied in your question, we're quite pleased with the position we were able to end 2009 in as well as building momentum as we step into 2010 from a subsidiary cash capital level and free cash flow level.

And we will continue to use the guideposts that we laid out in terms of our capital deployment strategy in making sure we have the right internal funding and then evaluating M&A alternatives and then finally evaluating repurchase.

So I appreciate your question. We recognize that we're in a strong stronger position than we had been in the past, which we like, and we're continuing to evaluate the alternatives.

Kevin Fischbeck (Bank of America):
Okay. Thanks.

Ana Gupte (Sanford Bernstein):
Yes, thanks. Good morning. Two questions on cost reduction. You mentioned, Annmarie, that for SG&A you're successful in the $55 million this year.

It appears you're moving more to a retail mix that's possibly slow for this year. Are you seeing any upward pressure from your selling cost ratio and in 2010? And then can you comment on your multi-year strategy to bring your SG&A down?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Good morning, Ana. Yes, as you indicated, we are on track for a $55 million pre-tax reduction in medical operating expenses. Continuing to identify those cost reduction initiatives are key. Could you just clarify for me on the retail side?

Ana Gupte (Sanford Bernstein):
So the growth in commercial individual and the growth in individual Private Fee For Service, I would expect, is putting pressure on broker commissions which may change given reform and all of that. But in light of reform and excluding reform are you seeing pressure upward?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Sure. Yes, as a matter of fact, as you know, when the individual business is written their commissions are higher in the first year but then are reduced as we move ahead.

And relative to Private Fee For Service, while commissions are typically higher, we did get a significant portion of our members that had been in other plans in previous years. So the commission structure was a little less than kind of a normal brand-new Private Fee For Service member.

Having said both of those things, if you look at the new disclosures we have in our statistical supplement, the main area where we have opportunity to reduce our expenses is on the expense base excluding those type of segment expansion and specialty lines. We would contemplate our Private Fee For Service more in a specialty type of coverage.

Our opportunity is in that routine medical guaranteed cost and ASO book of business. That's the number that we look at to evaluate our competitive position and our competitive gap.

And that subtotal there, not to be technical on you here, but that's where we focus on saving the dollars. And the other thing is that as the commission expense goes up, so does the revenue. And, as you know,, the earnings on the individual book would be attractive.

So we look at those more on an earnings perspective basis as contributing. And then the medical operating expenses are where we’re focused on reducing to improve the competitive gap. Is that helpful?

Ana Gupte (Sanford Bernstein):
Yes, that's helpful. Thanks. A follow-up on the cost side again because that's the crux of getting affordability.

Others are reporting 10% inpatient, 12% outpatient trend, and most of it is unit cost. Is your “Go Deep” strategy getting you to more competitive hospital discounts or are you also looking to get into more narrow networks and dropping hospitals, which seems to be playing out in the media lately?

David Cordani (President and Chief Executive Officer):

The “Go Deep” strategy is quite important to us, as you made reference to. So the markets we've chosen to focus on are a combination of either those markets that we are currently most competitive in on an all-in medical cost basis, and/or where we have a line of sight over the next couple of years to be fully competitive relative to the best-in-class benchmark competitor.

A part of that process, as I referenced in the prepared remarks, is making sure we’re actually working a little differently with key delivery partners – be it large physician groups and/or the hospitals – to try to align our incentives and our information with their programs and services.

To the last part of your comment, we have not, generally speaking, embarked upon a strategy to have narrow networks. Rather, our market strategies are a strategy of transparency and choice by providing visibility to our employer customers and our individual customers relative to cost quality differences where possible and allowing for choice to drive the utilization patterns.

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

Carl McDonald (Oppenheimer):
Great. Thank you. How do you think about the future of the limited benefit product? Is that something we should anticipate just goes away in 2014 with the insurance requirements or are there certain products within that business that can stick around?

David Cordani (President and Chief Executive Officer):
Carl, good morning. So I think by your statement of limited medical product you're alluding to what the industry knows as voluntary life, disability, et cetera, and I think implied under your statement we should assume that that product evolves pretty significantly over a short period of time, making sure that there are some solutions that work for the individuals that currently utilize those products. And then it probably takes a step function post-2014 as additional alternatives and subsidies are available to individuals.

So we view that that product portfolio and solution portfolio will evolve at a pretty accelerated rate over the next couple of years.

Carl McDonald (Oppenheimer):
Okay and then on the loss ratio using your commercial loss ratio and putting Medicare Advantage Private Fee For Service at high 90’s and using the PDP loss ratio you gave, it looks like something in either specialty or the experience rated book was higher. Anything worth spiking out there?

Annmarie Hagan (Executive Vice President and Chief Financial Officer):
Carl, there’s nothing really worth spiking out there. I would just note that we did have new business growth in both the guaranteed cost and the shared returns business.

So as I indicated earlier, typically we would reserve at a little bit of a higher loss ratio (by 2 to 3 points) on that new business growth until there's more clarity and certainty around the ultimate loss ratio. But I think all-in, as I mentioned, two-thirds of the higher consolidated loss ratio is mix and then the balance of the increase was due to new business in both guaranteed cost and shared returns.

David Cordani (President and Chief Executive Officer):
And Carl, I would just reinforce, as Annmarie referenced in both in her prepared remarks and her prior comments, for the core commercial guaranteed cost business, the overall loss ratio on an operating basis going forward is directly in line with our expectations. So we feel good about it stepping into the year.

Carl McDonald (Oppenheimer):
Great. Thank you.

David Cordani (President and Chief Executive Officer):

First, thank you to everyone for joining us today. And I simply want to emphasize four key points from our conversation.

First is that our first quarter 2010 results are strong. They're the result of our strategic focus, they demonstrate the strength of our diversified portfolio of businesses and, very importantly, the results provide a strong and solid start to achieving our full year 2010 goals.

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

Third, we believe that we are well positioned as a global health service company. We will continue to execute our growth strategy, which leverages the strength of our very diverse global portfolio of businesses, which include a well established operation and portfolio outside the U.S. that currently serves employers and a growing middle class of individuals, our Disability business with return to work programs that lead the industry and improve employee productivity, and our U.S. Health Care business, which focuses on health improvement and is heavily weighted toward service offerings.

Finally, as I outlined earlier, we're using this time of disruption to identify and leverage additional growth opportunities as we look to the future.

Again, thanks for joining today's call.

END