CIGNA CORPORATION

FIRST QUARTER 2011 INVESTOR TELECONFERENCE
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DAVID M. CORDANI – PRESIDENT AND CHIEF EXECUTIVE OFFICER

THOMAS A. McCARTHY – ACTING CHIEF FINANCIAL OFFICER

EDWIN J. DETRICK – VICE PRESIDENT, INVESTOR RELATIONS

NOTE: CIGNA has made editorial changes to this transcript.

As used herein, "CIGNA" refers to CIGNA Corporation and/or its consolidated subsidiaries

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

CIGNA Corporation and its subsidiaries (the "Company") and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company's filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management's beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company's strategic initiatives, litigation and other legal matters, operational improvement initiatives in the health care operations, and the outlook for the Company's full year 2011 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.

By their nature, forward-looking statements: (i) speak only as of the date they are made, (ii) are not guarantees of future performance or results and (iii) are subject to risks, uncertainties and assumptions that are difficult to predict or quantify. Therefore, actual results could differ materially and adversely from those forward-looking statements as a result of a variety of factors. Some factors that could cause actual results to differ materially from the forward-looking statements include:

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

11. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating the Company's liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
12. adjustments to the assumptions (including annuity election rates and amounts collectible from reinsurers) used in estimating the Company's assets and liabilities for reinsurance contracts covering guaranteed minimum income benefits under certain variable annuities;
13. significant stock market declines, which could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and the Company's pension plans in future periods as well as the recognition of additional pension obligations;
14. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the Company's operations, investments, liquidity and access to capital markets;
15. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the businesses of our customers (including the amount and type of health care services provided to their workforce, loss in workforce and our customers' ability to pay receivables) and our vendors (including their ability to provide services);
16. adverse changes in state, federal and international laws and regulations, including health care reform legislation and regulation which could, among other items, affect the way the Company does business, increase cost, limit the ability to effectively estimate, price for and manage medical costs, and affect the Company's products, services, market segments, technology and processes;
17. amendments to income tax laws, which could affect the taxation of employer provided benefits, the taxation of certain insurance products such as corporate-owned life insurance, or the financial decisions of individuals whose variable annuities are covered under reinsurance contracts issued by the Company;
18. potential public health epidemics, pandemics and bio-terrorist activity, which could, among other things, cause the Company's covered medical and disability expenses, pharmacy costs and mortality experience to rise significantly, and cause operational disruption, depending on the severity of the event and number of individuals affected;
19. risks associated with security or interruption of information systems, which could, among other things, cause operational disruption;
20. challenges and risks associated with the successful management of the Company's outsourcing projects or vendors, including the agreement with IBM for provision of technology infrastructure and related services;
21. the ability to successfully complete the integration of acquired businesses; and
22. the political, legal, operational, regulatory and other challenges associated with expanding our business globally.

This list of important factors is not intended to be exhaustive. Other sections of the Company's most recent Annual Report on Form 10-K, including the "Risk Factors" section, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2011, and other documents filed with the Securities and Exchange Commission include both expanded discussion of these factors and additional risk factors and uncertainties that could preclude the Company from realizing the forward-looking statements. The Company does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Ted Detrick (Vice President, Investor Relations):

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

In our remarks today, David will begin by briefly commenting on CIGNA's first quarter results. He will also profile CIGNA's domestic health service business, which will include a discussion of our consultative selling approach and our self-funded product offerings.

Next, Tom will review the financial results for the first quarter and provide an update on CIGNA's financial outlook for full year 2011. We will then open the lines for your questions. Following the question and answer session, David will provide some brief closing remarks before we end the call.

As noted in our earnings release, CIGNA uses certain non-GAAP measures when describing 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 & 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.

Regarding our results, I note that in the quarter we recorded an after-tax gain of $24 million, or $0.09 per share, related to the completion of an IRS examination, which we reported as a special item. I would remind you that special items are excluded from adjusted income from operations in today's discussion of our first quarter 2011 results and full year 2011 outlook.

Relative to our Run-off Reinsurance operations, our first quarter shareholders' net income included an after-tax non-cash gain of $13 million, or $0.05 per share, related to the Guaranteed Minimum Income Benefits business, otherwise known as GMIB. I would remind you that the impact of Financial Accounting Standards Board fair value disclosure and measurement guidance on our GMIB results is for GAAP accounting purposes only. We believe that application of this guidance is not reflective of the underlying economics as it does not represent management's expectation of the ultimate liability payout. Because of the application of this accounting guidance, CIGNA's future results for the GMIB business will be volatile as any future change in the exit value of GMIB's assets and liabilities will be recorded in shareholders' net income.

CIGNA's 2011 earnings outlook, which we will discuss in a few moments, excludes the results of the GMIB business and, therefore, any potential volatility related to the prospective application of this accounting guidance.

Regarding our disclosures, we have made some reporting enhancements to our quarterly financial supplement. Specifically, we have included a new financial highlights page at the beginning of the supplement to provide investors and analysts with an executive level view into the revenues and earnings for each of our ongoing businesses, as well as provide a more comprehensive breakdown of the 66 million customer relationships we service across our ongoing businesses. In addition, we have reorganized the supplement to give more prominence to the business segment income statements and related financial metrics.

We are making these reporting enhancements to provide investors and analysts with improved transparency into our diversified portfolio of global health service businesses.

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

David Cordani (President and Chief Executive Officer):

Thanks, Ted, and good morning, everyone.

Before Tom reviews our results and outlook, I'm going to take a few minutes to briefly comment on our first quarter performance. Then, I'll spend some time profiling our U.S. business. More specifically, I'll focus on how our approach to the market and how our capabilities position us for sustained, profitable growth in the future.

So let's dive in.

Overall, we're pleased with the results we delivered for the first quarter. By way of backdrop, we delivered strong results in 2010, we set competitively attractive targets for 2011 and, for the first quarter, we've exceeded those targets.

We reported consolidated adjusted income of $375 million, or $1.37 per share, with earnings growth in each of our ongoing businesses, and revenue growth of approximately 8%, excluding the exit of Medicare Advantage Individual Private Fee for Service (Medicare IPFFS). Our results continue to reflect strong execution of our growth strategy which, as you know, is to Go Deep, Go Global, Go Individual.

In delivering on our strategy, we continue to demonstrate an ongoing commitment to drive value for our customers, clients and shareholders.

A common theme this quarter was growth – focused, targeted growth across each of our ongoing businesses using our Go Deep approach to drive crisp execution and deliver attractive results.

I would highlight, very importantly, that we grew while executing on the fundamentals of our business, including maintaining pricing discipline and providing strong clinical and service excellence. I'm proud of the CIGNA team for delivering on our commitment again this quarter, and we remain focused on delivering for 2011 as well.

In order to create value on a sustained basis, at CIGNA we put the customer front and center. We recognize that the individual is the end user of our programs and services regardless of how we access them -- whether it's an individual in Seoul, Korea who has a hospital cash policy or it's the New York-based employee who has a medical plan through his or her workplace. CIGNA's clinical programs and service standards are all created and delivered with the individual in mind.

At our Investor Day in March, we discussed the concept of Enduring Customer Value. This business opportunity, which we seek to own, will focus on the individual customer's needs. We will rise to meet those needs as they change throughout various life stages.

As I have previously said, make no mistake, our intent is not to be all things to all people. Rather, we will seek to meet individuals' changing needs by Going Deep in targeted geographies and market segments, and by leveraging our growing global capabilities.

I'll come back to Enduring Customer Value in a few minutes, but let me first set the foundation by highlighting two major aspects of our U.S. business that allow us to win in the marketplace, provide differentiated value to our clients and that we believe will drive sustainable growth in the future.

The first piece is our consultative sales approach, which is at the core of how we partner with our clients. It's through this partnership that we deliver meaningful value to our clients and customers over time. We recognize that to best serve our clients we must first listen to and understand their needs and then tailor solutions to meet those needs using our full range of medical, specialty and productivity programs.

Today, we have a unique set of capabilities that we offer across all of our targeted employer segments and, as I noted before, we match these with our clients' and customers' goals as they evolve over time. This matching process is fairly intuitive, but I can assure you it's one that's not easy to replicate.

Consultative selling is not just a matter of having the right products, network, wellness programs or funding options – these represent baseline capabilities today. What truly sets us apart as a health service company from health insurance companies is aligning those capabilities with the specific needs of our clients.

For us, the keys are our people, actionable information, our health and productivity programs and our commitment to service and clinical excellence. Our approach is moving from selling products to engaging with clients to design programs to improve health and productivity, many of which are dynamic in nature. I'll highlight just two components that I mentioned.

First, is actionable information. We excel at analyzing data on clients and prospective clients' health profiles, productivity profiles, employee engagement levels, the effectiveness of communication programs and the impacts of incentives and disincentives. We then match up utilization, quality and outcome indicators, and, with all that in hand, we design, manage and evolve specific programs to generate superior service, quality and cost outcomes.

Let me provide an example to bridge to a second component of our success, which are our health and productivity programs.

CIGNA's "Your Health First" chronic care program is an industry breakthrough, moving from siloed fractured engagement to whole-person partnership, consultation and coaching. As you know, chronic disease continues to grow. Today up to 30% of the population are impacted by diseases including asthma and diabetes.

Our new program is a great example of innovation and consultation for the benefit of our customers and clients. Early results indicate tremendous demand from clients and truly outstanding engagement and outcome levels for the most innovative customers and clients. By the end of the year, we expect participation in this program to more than triple to over 1 million members.

We believe that this consultative partnership approach is especially critical in the current environment where several dynamics, including growing demand for personalized service, regulatory changes, continued economic and cost pressures, eroding health status and heightened transparency, will continue to shift the focus from sick care insurance to high value health and productivity programs.

In summary, our approach to consultative selling, coupled with our health productivity and wellness programs, enables us to engage employers, individuals and health care professionals to drive better health, improved productivity and, therefore, lower costs.

The second major aspect of our U.S. business success is our commitment to choice, transparency and quality. As an example, I'll use our broad and proven experience with ASO, or self-insured, programs to demonstrate how we leverage choice, transparency and quality to deliver differentiated results over time. When we harness the power of our consultative selling approach, our ASO programs have consistently benefited from very good adoption rates with our specialty health care programs, including pharmacy, behavioral and dental.

Over the last few years, we're seeing more and more interest in programs that leverage information, integration and incentives to take customer engagement to a higher level. As a result, the individual takes even more ownership in driving improvements in his or her health.

For example, take our CIGNA "Choice Fund" offering, which represents our consumer-directed programs, most of which are fully transparent ASO programs. Levels of employer participation in this offering have doubled over the past few years, and we've demonstrated that these programs deliver results.

As we've discussed before, results from our five-year Choice Fund study show that when individuals are more engaged, levels of preventative care go up, many gaps in care are closed and costs come down. That's right, health improves and costs come down.

I'll give you another example of our innovative clinical solutions that set CIGNA apart. Our Integrated Personal Health Team is a program that combines all clinical management resources for the needs of the healthy, the healthy at risk, the chronic and those with acute conditions -- to the needs of those who are actively employed to those who are disabled -- and combines them into one single team so that our customers have one point of contact.

Powered by the right programs, staffed with the right people and enabled by transparent information and incentives, we've been able to increase individual engagement through personalized coaches that leverage touch points between the individual customers and their health care professionals. This engagement is all about connecting individuals to the right programs that will meet their specific health needs.

For example, within this program, 72% of individuals with chronic conditions were identified for additional health improvement opportunities -- 72%. As for clinical results, participation in CIGNA's Integrated Personal Health Team" is improving health outcomes and resulting in lower costs. In these programs, we're seeing a 12% reduction in specialty office visits, a 2% decline in overall hospital admissions and better clinical compliance -- for example, a 10% improvement in blood glucose testing for obese individuals.

Now to recap. To appreciate the power of our ASO or self-funded model, one has to recognize that our model is not just a financing vehicle. It's a value delivery system anchored in integrated programs and services.

As a result, we continue to drive retention levels of approximately 90% across all our segments.

We're delivering good organic membership growth in targeted geographies and market segments, and we continue to drive attractive cross-selling results.

More broadly, our ASO model has been tested and has delivered solid results in times of accelerating and decelerating medical cost trends, in thriving economies and in weaker economies, and in environments of regulatory change. Looking forward, we see even more demand for ASO programs with advanced engagement and incentive programs, along with very targeted, integrated specialty and productivity programs. As employers respond to economic pressures and regulatory changes, the commercial marketplace will continue to evolve. Employers will continue to switch from less transparent fully-insured programs to more transparent ASO arrangements.

We've already seen a healthy appetite for this shift. For example, within our Select segment, the proportion of sales in self-funded arrangements has increased substantially and now represents over 50% of our new business.

In this environment, we continue to seize the opportunity given our philosophical commitment to choice, transparency and quality, our unique capabilities and our differentiated approach to consultative selling across all of our customer segments.

Overall, we have a proven track record of success in the U.S. businesses. Our customer-centric model is anchored by a consultative sales approach and an integrated solution set that is focused on improving health and productivity. This approach will remain key to our current business segments.

As we look to the future, we will continue to expand on the very personal relationships we are building with our customers, and we will further accelerate our focus on providing Enduring Customer Value. We believe this will be an important differentiator as individuals continue to assume more responsibility and as Exchanges are offered in 2014 and beyond.

At CIGNA, we fully recognize that the development of the Exchanges is currently a fluid process and several items remain unclear, including the breadth of adoption in states, the business models and the subsidy levels, given the state and federal budget pressures and deficit challenges, just to name a few. Perfect clarity around these items does not exist.

We continue to actively build and leverage our growing individual relationships and global capabilities, including our Health, Life and Accident business, which gives us significant experience in direct-to-consumer distribution, as evidenced with almost 7 million policies in force. Product and distribution innovation is at the core of this business, and we believe it will serve us well in the U.S. in the post-2014 environment.

Before I turn it over to Tom, I want to reiterate just a few points.

Our first quarter results are strong and reflect continued effective execution of our growth strategy and they build on a strong 2010.

I'm proud of what the CIGNA team has delivered and how we work every day to improve the health, well-being and sense of security of the individuals we serve.

I'm confident in our ability to achieve our full year 2011 strategic, financial and operating goals.

Finally, our Company is positioned for sustained, profitable growth over the long term as we seek to provide Enduring Customer Value in this very dynamic marketplace.

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

Tom McCarthy (Acting Chief Financial Officer):

Thanks, David. Good morning, everyone. In my remarks today I will review CIGNA's first quarter 2011 results, link these results to our growth strategy and 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' net income excluding realized investment results, GMIB results and special items. This is also the basis on which I'll provide earnings outlook.

Our first quarter consolidated revenues grew to $5.4 billion. This is an increase of 8% over the first quarter of 2010, after excluding the impact of our planned exit from the Medicare IPFFS business, and reflects solid growth in each of our targeted market segments.

Our first quarter consolidated earnings were $375 million, or $1.37 per share, which represents an increase of 33% and 36%, respectively, over the first quarter of 2010.

These results reflect the strength of our global diversified portfolio businesses and continued solid execution of our growth strategy.

In Health Care, first quarter 2011 premiums and fees grew 6% on a quarter-over-quarter basis, excluding the impact of the exited Medicare IPFFS business. This reflects continued membership growth in our targeted customer segments and increased specialty penetration. First quarter earnings for Health Care were $246 million, including the impact of favorable prior-year claim development and sustained growth.

We reported year-to-date membership growth of approximately 1%, adjusting for the planned non-strategic exits, reflecting strong demand for our ASO product and continued growth in the targeted Middle Market and Select customer segments. In these segments, as David mentioned, we also benefited from integrated sales of our specialty products, which deliver a strong integrated value proposition to our customers and also contribute attractive margins.

Turning now to medical costs in the quarter, we continued to deliver attractive medical costs and sustained clinical quality for our clients and customers. Medical costs also reflect the impact of the sector-wide low level of medical utilization trend. Across our risk book of business, our first quarter medical costs included favorable prior-year claim development of $22 million after tax.

Specific to guaranteed cost, our medical care ratio, or MCR, was 77.3% on a reported basis, or 80.2% excluding prior-year claim development. This includes the effect of recording the first quarter rebate accrual related to the minimum loss ratio requirements. Results to date on our risk businesses continue to reflect good pricing and underwriting discipline.

ASO results in the quarter reflect continued membership growth, particularly in the targeted Middle Market and Select segments, and strong contributions from our Specialty businesses, with ASO fees up 6%.

Our alternative funding solutions are receiving increased interest from clients, and we expect they will be attractive to a growing share of the employer market.

We also believe our consultative selling approach, combined with our diversified portfolio and focus on choice, transparency, and service and clinical quality, positions us well to meet the evolving health needs of customers and clients.

As part of our long-term strategy, we continue to focus on improving our operating expenses through a combination of expense efficiencies and business growth, while maintaining our commitment to strong service levels and clinical excellence and funding strategic investments.

For the first quarter of 2011, medical operating expenses were slightly down versus the first quarter of 2010. We reported a total operating expense ratio in the quarter of 27.1%, which is 20 basis points lower than the same period of 2010, after excluding the exited business.

Now I will discuss the results of our other segments.

Within the Group Disability and Life segment, results in the quarter were strong overall as this business continues to deliver attractive margins while providing value to our customers and clients through our differentiated disability management model.

Premiums and fees grew 4% quarter-over-quarter, including 9% growth in our Disability business, which is a key area of focus in our growth strategy.

First quarter earnings in our Group Disability and Life business were $77 million. This includes the impact of favorable life and accident claims experience, as well as a net favorable impact of $6 million after tax related to a reserve study completed during the quarter on our Group Life business.

Turning now to the International segment, this business continues to deliver very attractive growth and strong margins as we continue to execute our strategy and capitalize on both the expanding global middle class and the increasing market for expatriate benefits.

Premiums and fees grew 32% quarter-over-quarter, driven by strong customer retention and solid new sales within the Health, Life and Accident and Expatriate Benefits businesses, including contributions from Vanbreda International. This top-line growth drove very strong earnings of $77 million in the first quarter.

I would note that our first quarter 2010 results included a favorable adjustment of $5 million after tax relating to the implementation of a capital management strategy.

Results for our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, totaled to a loss of $25 million for the quarter. This includes break-even results for Run-off Reinsurance.

To recap, our first quarter results were strong, reflecting solid revenue and earnings growth from each of our ongoing businesses.

Turning to our investment portfolio, results in the quarter included a strong net investment income result and net realized investment gain of $17 million after tax. There were no investment impairments recorded in the quarter, and our commercial mortgage loan portfolio continues to perform well.

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

Before I shift to our earnings and capital management outlook, I would note that operating cash flows for the first quarter were impacted by a few items, including claim run-out from the exited Medicare IPFFS business and an accelerated pension plan contribution.

Now turning to our outlook, based on the strength of our first quarter results, we now expect full year 2011 consolidated adjusted income from operations of $1.275 billion to $1.365 billion. This range is $75 million to $85 million higher than our previous expectations and reflects an increase in outlook for each of our ongoing businesses.

We now expect full year earnings per share in the range of $4.65 to $5.00 per share, which is an improvement of $0.30 to $0.35 per share over our previous expectations. This earnings per share outlook does not include the impacts of future share repurchase activity.

I will now discuss the components of our 2011 outlook, starting with Health Care.

We now expect full year Health Care earnings in the range of $860 million to $900 million, which is an improvement of $40 million to $60 million from our previous expectation. This improvement reflects the favorable prior-year claim development recognized in the first quarter and continued effective execution of our growth strategy.

We remain on track to deliver a full year total Health Care operating expense ratio of 26.5% to 27% and medical operating expenses of $235 to $240 per member per year, while continuing to invest in technology and service capabilities to support ongoing growth.

Relative to medical membership, we expect full year 2011 membership growth of 1% to 3%, excluding the planned non-strategic market exits.

I would also reinforce that new business pricing and the renewal rate actions we are obtaining as we grow our business are consistent with our expectation.

Turning to medical costs, for our guaranteed cost book of business we now expect the full year MCR to be in the range of 81% to 82%, which is 100 basis points lower than our previous expectation. It includes the benefit of the first quarter prior-year claim development.

We expect our full year medical cost trend for our total book of business to be in the range of 6% to 7%, which is 100 basis points lower than our previous range.

Now moving to the other components of our outlook, we expect full year earnings from International to be in the range of $275 million to $295 million, which is a $15 million increase over our previous range.

Regarding the Disability and Life business, we expect full year earnings to also be in the range of $275 million to $295 million, which is $5 million higher than our previous expectation.

The outlook for our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, is expected to be a loss of approximately $125 to $135 million. This assumes break-even results for the full year for VADBe.

So all in, for full year 2011 we now expect consolidated adjusted income from operations of $1.275 billion to $1.365 billion and consolidated earnings per share in the range of $4.65 to $5.00 per share.

I will now discuss our capital management position and outlook.

We continue to have a strong balance sheet and good financial flexibility. Our subsidiaries are generating significant free cash flow to the parent, reflecting the strong return on capital in each of our ongoing businesses.

Regarding parent company liquidity, we ended the quarter with cash and short-term investments at the parent of $790 million.

During the first quarter we repurchased 3.9 million shares of CIGNA's common stock, and we subsequently repurchased an additional 1 million shares through May 4, 2011. Year-to-date, we have repurchased 4.9 million shares of stock for approximately $210 million.

As discussed at our Investor Day, during the first quarter we funded an incremental $150 million to capitalize our Arbor subsidiary in support of our Run-off Reinsurance business.

This brings our year-to-date capital deployment to $360 million.

For full year 2011, after considering subsidiary dividends, pension contributions, and other sources and uses, we continue to expect to have approximately $1.1 billion available for capital deployment to deliver sustainable value for the benefit of customers and shareholders. This provides us with $740 million for deployment over the balance of the year, after considering the $360 million already deployed.

Our capital deployment strategy remains unchanged. We will prioritize our capital to first, provide the capital necessary to support the growth of our ongoing operations, our pension plan funding and our Run-off Reinsurance business. Second, we would consider M&A activity with a focus on acquiring capabilities and scale. And finally, after considering these first two items, we would return capital to investors primarily through share repurchase.

As we look to the future, we will continue to evaluate each of these levers to ensure we deliver sustainable value for the benefits of our customers and shareholders.

Overall, our capital position and outlook remain positive.

Now to recap, our first quarter 2011 consolidated results reflect the strength of our global diversified portfolio of businesses, our focus on Enduring Customer Value, and continued effective execution of our growth strategy, with solid revenue growth in our targeted customer segments.

We are focusing on improving our financial flexibility through ongoing cost reduction efforts and effective capital deployment.

We have a healthy capital position, and our investment portfolio is delivering strong results.

Finally, we are confident in our ability to achieve our full year 2011 earnings outlook.

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

Matt Borsch (Goldman Sachs):

Thanks guys, good morning. Could you talk about what you see in the pricing environment, to the extent you can separate both the risk side and the ASO side, and specifically your own pricing which a couple of competitors seem to feel is aggressive? Although frankly, on the risk side the enrollment results wouldn’t suggest that.

David Cordani (President and Chief Executive Officer):

From a broad standpoint, we don't see any material change in the pricing environment. It is indeed a competitive marketplace. It remains a competitive marketplace and we think the real premium in the marketplace is on focus and discipline.

My second point would be, if you look over the last two to three years our pricing discipline and the consistency of our pricing execution and rate execution has been quite good.

And my third point would be around the notion of focus. Our progress has been really around the Go Deep strategy, which is focusing on key geographies and buying segments.

Overall, from the CIGNA standpoint, we're please with both the rate execution, the success of our cross-selling initiatives and the resulting retention rates and new business sales we've been able to secure.

So the overall marketplace, from our point of view, is competitive and the quality of what we've been able to secure is quite good.

Matt Borsch (Goldman Sachs):

Okay great. And just as a follow-up, on the cost side where did you see the utilization or unit price lower than expected in the first quarter and are you carrying any of that through to your outlook for the back nine months of the year?

David Cordani (President and Chief Executive Officer):

I'll start broadly and ask Tom to embellish more specifically.

From the contracting standpoint, the contracts we've been able to secure thus far for 2011 are in line with our expectations. I see consistency with what we were able to secure in 2010. Our ability to focus, our ability to partner with physicians and hospital systems, and our ability to lever information and incentive alignment is working for us in the marketplace.

There is a continuation of a slight dampening of the overall utilization trend a

Tom McCarthy (Acting Chief Financial Officer):

As David mentioned, medical services utilization trend did remain low in the first quarter.

There was some normalization of flu activity, but flu in first quarter 2010 was extraordinarily low, so we got generally more normal levels there. But, we are anticipating that utilization would begin to accelerate over the balance of the year. So I'd expect to see some uptick there, but first quarter continued at the low trend level that we saw earlier.

Matt Borsch (Goldman Sachs):

Thank you.

Josh Raskin (Barclays Capital):

Hi. Thanks, good morning. My question relates to the outlook in the Health Care segment. Looking at the first quarter, Health Care earnings were up almost 50% and even if you take out the development, it was still almost 35%, yet the guidance for the full year is sort of flat to up maybe 5%.

I was wondering, what are some of the drivers of that seasonality? Maybe you could touch on whether there has been a sort of outsized impact or is there an expected impact of rebates being larger in the second half? I'm surprised based on the accounting you guys are choosing for the rebates?

Tom McCarthy (Acting Chief Financial Officer):

As far as your last observation I would point to the rebate dynamics as a factor in that.

First, there's a lot of moving pieces and again we have provided a range. You could annualize the results and get close the range, but really there's two major drivers that I'd point to in considering the balance of the year.

One we've already talked about and that's we are expecting a little uptick in the utilization trend. So that would put some pressure on the last half of the year.

And second, we do expect some seasonality from the deductible impact on the book of business. We've had more sales of the types of products that have higher deductibles so we'd expect to see a little bit more of that in the last half of the year.

That said, this is a range of results and we hope to end up at the higher end but, it's a little early to be making a call on that.

Josh Raskin (Barclays Capital):

Let me ask another question about the expectation around seasonality or even the uptick in utilization -- if you take the first quarter run rate and you take out development you assume a full year is almost $900 million. If you look historically, the first quarter's been a weaker quarter. So is there something that's changed or is this just really more around you're expecting normal utilization in the next three quarters?

Tom McCarthy (Acting Chief Financial Officer):

I don't think there's anything fundamental that's changed. I think it really is just the moving pieces in the dynamics for the business. Obviously medical trend has been a key factor over the last few quarters.

Josh Raskin (Barclays Capital):

Right, right. On the rebates, are you guys still accruing as experience or actual as opposed to the year to date method?

Tom McCarthy (Acting Chief Financial Officer):

Yes.

Josh Raskin (Barclays Capital):

Was that material in the quarter?

Tom McCarthy (Acting Chief Financial Officer):

In the first quarter, we accrued $10 million after-tax based on the actual results. That's generally in line with our expectations and going forward we're not really anticipating any significant surprises.

I'd rather not get into commenting on the full year outlook given there are so many moving pieces, but again we're not expecting any surprises.

Josh Raskin (Barclays Capital):

Okay that's perfect. Thanks.

John Rex (JP Morgan):

I just wanted to come back again to the percent of self-funded fees that are risk. It's just one of these persistent market commentary factors that we can't seem to kill.

You know your competitors are talking about this, so can you maybe approach it this way? Is there some way that you think is unique about how you're approaching new business that perhaps the market is misperceiving? You have sized the percent of your fees at risk, I think you said 12% and that's kind of in line with what we'd see in general in the market. I'm trying to understand why this thing stays alive so consistently?

David Cordani (President and Chief Executive Officer):

First and foremost, as you very well know, the bulk of our business, or about 80%,is ASO. We understand that business. We've understood it for quite some time and we've expanded the capabilities through the Great West acquisition to be very successful in the select segment with that portfolio.

As you know, a key part of our strategy has been and continues to be to lever a very broad suite of specialty programs and services and go to the market with a bundled offering.

Third, in my prepared remarks we tried to tease out a bit of a differentiator here and that's the consultative selling. It's not an environment where we go through and try to push product. Rather we try to use information specifically tailored to that client's experiential set, business strategy understanding and their culture, and we target recommendations on which a subset of the specialty product suite makes sense. When you put that package of offerings together, we believe we're able to demonstrate a very good value proposition for the client and their employees, our customers, and then engender a good return from a shareholder perspective.

To your specific point, you're correct, you have a great memory. Our percent of ASO fees at risk have been and continue to range in the 10% to 15% range. Being a long standing player in the ASO space, there's always been fees at risk ranging from basic service and client management to clinical engagement to medical trend components -- I'll put the number back out there, our fees at risk related to medical trend as a percentage of total fees are about 1%.

We're comfortable with where we are for this portfolio. It is a dynamic marketplace, but we believe our focus and the diversity of our both funding solutions and specialty products are servicing us well and will in the future.

John Rex (JP Morgan):

Okay, you spiked out the select segment, I think it was the 50 to 250 lives segment, in terms of where 50% of your new sales are ASO. Can you tell me when you get down to that small level of a case size, does it really behave much differently than a full at risk product? I would assume at that point that the stop loss PMPMs that you're selling through also get to a point where the at risk premium is not that different than a fully insured product. Is it that different?

David Cordani (President and Chief Executive Officer):

First and foremost, when you look at that segment you hear me say over and over we're not trying to be all things to all people.

Number one, we're not pretending that the ASO stop loss solution is the perfect solution for every employer in the 50 states. Focus and segmentation is very important there and a part of that is partnering with the right brokers. We're in the market to identify those employers who are orientated around these type of solutions who want transparency and want to more align incentives.

To your more specific question, on an all-in basis, the revenue contribution is slightly less, but not acutely less than a guaranteed cost piece of business. When you look at the margin and the return on capital, the return is attractive. Very importantly to the employer and to their employees, it's a better overall price point and there is more transparency in terms of what's moving the medical costs.

We understand the funding mechanism. We understand that market. We’re focused on key geographies and we’re seeing increased progress in that 51 to 250 life employer segment.

John Rex (JP Morgan):

Great, thank you.

Justin Lake (UBS):

Thanks, good morning. First, I just wanted to talk about the experience rated of book to see if you can give us any color on what the MLR looks like in the quarter and maybe compared to the previous year? Then, given the decline on this book, it might be helpful to get an update in terms of the percentage of accounts in a deficit position and the total dollars of deficits versus a year ago?

Tom McCarthy (Acting Chief Financial Officer):

Just a couple of things. We don't generally disclose the specific loss ratio for experience rate business, but I can tell you, like the rest of the book, it is down a little bit so there's no surprises there. We continue to have a little less than 40% of the accounts in deficit and that's consistent with what we've had over the last few quarters. The deficit amounts actually declined a little bit. They were $138 million at year-end and they're now down to $126 million, consistent with our expectations.

Justin Lake (UBS):

Great. Then just a quick follow-up on the question around fees at risk. Would it be fair to say that where you are willing to maybe put fees at risk around medical cost trends is typically in the large end of the national accounts segments? David maybe you can just give us an idea?– What I hear from consultants is that there is kind of a dividing line between the true larger side of national accounts where they might be able to negotiate those fees at risk for our medical cost trends and then the more middle market or smaller end of the national accounts. Is that right?

David Cordani (President and Chief Executive Officer):

For us, the dividing line in the limited number of cases where we would do that is less size, I’ll come back to size in a moment, and it's more the philosophy in the comprehensiveness of the programs, the transparency of the information, our understanding of the case and then the kind of commitment to a multi-year approach. So let me just expand on that for a moment.

If you have an employer -- and I'll give you two examples -- whether it's a 20,000 life employer or 150,000 life employer, there is an opportunity if necessary to put in place a more sophisticated guarantee. As I noted before, they're very limited in our portfolio. But, if you have good visibility, whether it's an incumbent account or a new prospect, in terms of their underlying health profile utilization trend and adequate access to all the levers necessary to generate a superior outcome -- engagement, incentive, communication, network configuration, et cetera -- that presents the opportunity.

Your hypothesis is that typically would take place with a larger average case size, but I would not limit you to think it's just 250,000 life employers who we might approach with something like that. It's an employer who is much more sophisticated looking at a multi-year relationship going forward.

Most importantly for us, it's a very limited use tool and it would be employers that we have a deep intimacy of knowledge of.

Justin Lake (UBS):

Maybe a different way to put a number on the question -- could you give us a number or the percentage of your ASO membership that has an explicit guarantee around medical cost trend?

David Cordani (President and Chief Executive Officer):

I'm not going to frame it that way because in my mind, it's not as relevant of a data point in all due respect. As I noted, it's about 1% and has been about 1% of total fees at risk, number one. Number two, we've been in this business for a very long period of time. Three, you would assume that they're designed with corridors and parameters.

And finally, we have a track record and a history of limited impact to us for those programs -- what's important about that, is it means we're delivering on our promise to our clients, which is what the objective is. A client does not want to collect on a guarantee just as we don't want to pay out on a guarantee. We want to deliver on that promise.

I would anchor you back to it's a small portion of the portfolio as best measured in 1% of total fees at risk.

Justin Lake (UBS):

Okay great, thanks.

Scott Fidel (Deutsche Bank):

I wanted to see if you can give us an update on how the M&A pipeline is looking at this point. You've got $740 million of capital remaining here for deployment and now you're probably pretty deep into the integration of Vanbreda.

There's clearly been some commentary in the market of increased interest among some of the smaller and mid-sized plans in both the ASO and risk side in terms of looking to for-profits for consolidation. In that context, can you talk about the M&A pipeline and where your priorities for acquisitions would rest at this point?

David Cordani (President and Chief Executive Officer):

First and foremost, as we said before, we expect the marketplace to continue to have consolidation opportunities. Two, we approach that environment with a view that we actually like our current portfolio -- the diversity and breadth of our portfolio. Having said that, as you recall part of our strategy, when we rolled out our strategy at Investor Day couple years ago, was to drive acute focus through the Go Deep part of our strategy, but also to identify additional growth opportunities and we would be open to M&A to support that.

By way of types of acquisitions we'd generally be attracted to, you could put them in two camps. One would be scale, so further scale to support our Go Deep strategy. The second would be capabilities -- we think about product capabilities or segment capabilities.

For example, product capabilities could be further broadening our supplemental suite of offerings or further broadening the breadth of product solutions within our Health, Life, and Accident portfolio abroad. By way of segment capabilities, an example could be broader capabilities for seniors.

I would note that over the past several years, we have a good track record of being very focused and very targeted whether they be smaller acquisitions like some of the tuck-in health advocacy acquisitions we've been able to secure, what we would call medium size acquisitions like the very attractive Vanbreda asset or the targeted large size acquisitions like our successful integration and build out of Great West.

Scott Fidel (Deutsche Bank):

Okay and then I just wanted to ask a follow-up question on the pharmacy business. It looks like enrollment declined by around 5% year over year, enrollment in the overall book of business expanded by around 1% and you did have growth in all your other specialty businesses. So I wanted to get a sense of how confident you are that you can get the pharmacy business back to growth in 2012? If not, are you still willing to consider strategic options for the PBM at this point?

David Cordani (President and Chief Executive Officer):

Relative to the PBM, we continue to view it is a very valuable asset and an important part of our ongoing, integrated value proposition. We have seen good success and expect to continue to see good success with our select segment clients, our middle market clients, and for larger employers that are orientated around incentive and engagement based activities.

We do believe that there’s some additional value creators here, for example in the space of specialty pharmaceuticals and the ability both coordinate that increasingly within the medical benefit portfolio. We’re open to targeted opportunities to further accelerate our ability to capture that value.

My final comment would be, to your broad point, as we’ve repositioned our national account portfolio the expected loss in national account medical lives has also correlated to a somewhat directional loss in the PBM lives. Looking forward, as we are orientated around select, middle, and those national account clients that are orientated around engagement and incentives, we think you’ll see a little different pattern in the PBM lives on a go forward basis.

Scott Fidel (Deutsche Bank):

Okay thank you.

Charles Boorady (Credit Suisse):

My question, like a few others, relates to the self-funding of small employers with stop loss. You've been accused by competitors of underpricing in that product and we've heard a few questions today related to that, but when I talk to brokers about it who actually sell the product, they say it’s actually apples and oranges because it's inherently a less expensive product and that's why it can be priced lower.I Is that correct? Is it inherently a less expensive product? If so, where is that savings or arbitrage coming from? Is it that the employer’s basically accepting more risk in those arrangements?

David Cordani (President and Chief Executive Officer):

Charles, I’ll start and see if Tom wants to add anything.

First and foremost, I think you hit the nail on the head broadly.

Let's leave the select segment for a moment and go into the history of the bread and butter middle market segment. An apples to apples comparison of a guaranteed cost offering versus an ASO with stop loss offering has a different aggregate price point. Inherently, ASO with stop loss is a more transparent product that has a little different risk sharing protocol.

As you go down market, the risk sharing shifts a little bit as the employer is taking on a bit more accountability for that risk, which is why this product is not for every employer in the select segment.

The consultative selling, working very collaboratively with the broker and making sure we’re pinpointing those employers that it makes sense for us, is very important.

You're taking a bit of the risk premium out of the equation. We like the overall return on that product portfolio because number one, we understand how to do ASO and stop loss. And number two, it’s highly packaged with our broad portfolio of specialty capabilities. So on an all in basis, we deliver a good value proposition for the employer, we provide ongoing transparency of information even for 100 or 150 life employers that historically would not see that, and we provide that portfolio of services in a bit more dynamic way going forward.

Your macro conclusion is the right one.

Charles Boorady (Credit Suisse):

All right, great.

Tom McCarthy (Acting Chief Financial Officer):

I wanted to follow with a couple things there Charles, just to state the obvious.

Obviously, with the employer taking more risk that means less risk for us, that means less capital we need to deploy against the business, The dynamics at work are the risk charge in dollars is less to employers because we're taking less risk, so that's a benefit to the employer.

The margins on ASO and the return on capital are actually higher so it's an attractive opportunity for us.

The other thing I would point out is that clients that select this kind of program tend to be the kind of clients that are willing to try and attack medical costs so it aligns our interests and positions people to want to take advantage of the capabilities we offer.

Charles Boorady (Credit Suisse):

Your competitors are less vocal about your underpricing and one of them just announced an acquisition to get into this business as a testament to how well you're doing and the strategy.

My second question is whether there are any statutory regulatory limits to the amount of stop loss you can provide before an insurance commissioner would say this quacks like a duck and therefore it's an insured product and starts to regulate it as such?

Tom McCarthy (Acting Chief Financial Officer):

The broad answer is yes. This product portfolio, which we've built off of the Great West acquisition, is a state by state approach. The important framework is it's state by state.

It feeds our Go Deep strategy, and, most importantly, it's highly transparent.

The overall nature of the program, both with the regulators and with the employers, is highly transparent.

Charles Boorady (Credit Suisse):

Okay terrific. Thanks and congrats on great execution on that strategy.

Ana Gupte (Sanford Bernstein):

Can you provide your perspective on the Prodigy acquisition by Aetna compared to Great West? What were your thoughts at the time you acquired Great West and then after Aetna's acquisition?

David Cordani (President and Chief Executive Officer):

First, on the broad topic of consolidation, as I referenced in Scott's prior question, we think the marketplace is going to continue to consolidate the capabilities necessary to compete and deliver health improvement, productivity improvement, deal with regulatory compliance, invest in the technology -- we think these are all going to be fuel to further consolidation.

Number two, I would not compare Great West to a TPA in any way, shape, or form. Our attraction to Great West was that we saw a well-run, highly focused business that had deep and broad talent that was based on a model that we believe was correct, which was information-based, consultative, and highly transparent. So our orientation around Great West was we did not see then, nor do we see it now as a TPA. We saw it as a set of capabilities that was successful in the lower end of the middle market, although they also had some success in the higher end of the middle market, and also in the select segment by doing what we were doing in national accounts and in the higher end of the middle market, which was to use information to be very targeted, to be very consultative, to partner with brokers and try to deliver value.

That information infrastructure, the talent, the products, and the distribution was what was attractive to us and those type of assets don't come along every day. Our select segment success demonstrates that we're able to successfully build on that and as we look to future acquisitions, we will look to capabilities like that which we believe we could build upon.

Ana Gupte (Sanford Bernstein):

Looking forward into 2012, are you seeing an up tick in interest? There seems to be a lot of controversy. The brokers tell me that there is a fair bit of up tick in employers' interest to avoid the excise taxes and so on getting into 2014, but your peers are not all aligned on that.

David Cordani (President and Chief Executive Officer):

Yes, right now I would say tone and posture in direction with brokers and more the middle market employers and early dialog with Select Segment employers. Clearly we're in the early innings of the national account 2012 buying season.

But, I wouldn't put it in the category of excise tax. I don't think that is the fuel that drives the current market posture.

The fuel that's really driving the market posture is, no matter how we slice it, an environment where there's a lack of affordability for employers, for state governments, for the federal government, and for individuals. More than ever, we see buyers, and in this case employers, more open to different solutions that will help to mute or dampen the rate of medical cost acceleration. They're approaching the conversation with much more openness to different tools, it could be ASO where ASO didn't exist, it could be incentives where incentives didn't exist, it could be incentives and disincentives, onsite clinicians, etc. That's really the environment we see.

If we look at the emergence of our National Account pipeline for 2012, the percent of the business we're looking at that has incentive-based, engagement-based, wellness and productivity-based solutions is much higher than we've ever seen before. We think that's the continuum of what's happening in the marketplace as we're able to post success with good value there.

Ana Gupte (Sanford Bernstein):

Just to wrap it up on your earlier commentary around exchanges. We're now a year into reform. Are you seeing a change in employers? Do they feel more empowered to address all those affordability concerns with things like Great West? Or are they just throwing the towel in and saying, I'm just waiting for 2014 and I'll dump my workers in there?

David Cordani (President and Chief Executive Officer):

Relative to the exchange environment, clearly a dynamic environment and a lot happening in the marketplace as I noted in my prepared comments. There's also a lot of uncertainty that remains as each individual state goes through their own preparatory process to configure exchanges.

Secondly, I think what employers are doing, broadly speaking, is recognizing that there are very few silver bullets in life and in the case of health care costs, exchanges, as well, don't present a silver bullet. Now I might exempt from that, the under 50 life employers where you might see a broader appetite relative to the exchanges.

What we do see is a broader appetite to learn what a post-exchange environment would look like, a broader appetite to put in place a multi-year benefit strategy to afford employers options, options to broaden their incentive-based programs, options to potentially look at more defined contribution-based strategies over time, options to be in position to consider exchanges down the road to the extent they're vibrant. But, I've seen less of an interest or desire to unilaterally view 2014 as an immediate step-out function for large and medium-sized employers.

Christine Arnold (Cowen & Company):

As we continue to go downstream and some of these products look a little bit more like fully-insured even though they're self-insured, can you help us understand what you look at in order to predict medical trend? It seems like you're anticipating an uptick in trend, but not seeing it – can you confirm that? And, what are your leading indicators here? Also, could you give us the prior period development by product?

David Cordani (President and Chief Executive Officer):

Christine, let me start on the macro and then I'll ask Tom to talk about some of what we look at, the prior period development, etc.

I heard your question two different ways in terms of what we look at to predict trend down market and then what we look at to predict the utilization indicators. I'm going to go more broadly.

As we work with employers, as I referenced in my prepared remarks, we look at a lot of information. We have dedicated teams around our national account book of business, our middle market book of business and our select book of business that are mining data on a regular basis to understand what are the utilization patterns, what are the health risk profiles, what are the network-based consumption profiles, and how do they align with our forward-looking projections. Our ability to project that over the recent few years has been pretty good, pretty consistent.

Regarding our rate execution, the support of that has also been pretty good and pretty consistent. As it relates to looking forward from a utilization standpoint, I'll transition to Tom, but what we have seen throughout 2010 and early 2011, is a little bit more of a dampening of the rate of acceleration and utilization and we've just been cautious relative to that, not being able to pinpoint any one causes as to why it will remain there.

Our forward-looking projections are assuming a little bit of an uptick and with that, I'll transition to Tom.

Tom McCarthy (Acting Chief Financial Officer):

The question was really focused on how we price the lower-level accounts, but I'd point out in our typical ASO model starting at the largest accounts we rely heavily on the account's experience and as we continue to move down in size, we give it a blend of the account's loss experience and our overall book of business. When you get to smaller accounts, you can't necessarily rely on their experience as much, but it's still a factor.

It's a wide range of things that we would look at and it reinforces the transparent model, understanding the results, understanding what network the client might have been in, what network they'll be coming to, and those types of things.

As far as what we look at for indicators of the future in utilization trends, that's a really interesting question. Obviously, we have an awful lot of data that we can track in the recent past and we certainly mine that to try to understand what dynamics we're seeing -- looking at the components of inpatient, outpatient, pharmacy, and professional.

More likely we're going to be looking at and making judgments on whether some of this impact was related to the economy or just a change in consumption pattern, and be looking towards indications along those lines, either to validate or refute any of those theories. As we've pointed out, our expectation is that we'd expect utilization to start to get back to a more normal trend, but we'll continue to watch through the balance of the year.

Christine Arnold (Cowen & Company):

Has acuity increased? Some of your competitors suggested it did. Like, fewer admits, longer stays?

David Cordani (President and Chief Executive Officer):

I don't know that we've seen anything that's particular there.

Christine Arnold (Cowen & Company):

Okay, and then the prior year development please?

David Cordani (President and Chief Executive Officer):

The only thing I would add on the acuity, as we've talked over the last couple of years we've referenced that acuity has increased. So Tom's point is right in the quarter, but as inpatient days have more moderated and outpatient services have continued to evolve your rule of thumb, I think, is correct but that's taken place over time. We wouldn't pinpoint it as a first quarter phenomenon on PYD.

Tom McCarthy (Acting Chief Financial Officer):

On PYD, I'd keep it simple. Essentially all of it was in the guaranteed cost block. There was a little bit of puts and takes in the other blocks, but essentially ended up all in the guaranteed cost block.

Christine Arnold (Cowen & Company):

Perfect. It looks like you didn't release reserves for the Medicare Advantage book and you're keeping that elevated until the runout's complete?

David Cordani (President and Chief Executive Officer):

Yes, we'd expect to follow that through the normal pattern.

Doug Simpson (Morgan Stanley):

Looking at the operating expense summary, that tracked by our math at just under 28% in the quarter, and that's looking at consolidated Op Ex as a percent of revenue if you peel out the investment income. That's about in line with where it's been over the last eight, nine years and obviously there's mix-shift issues between fee and risk business during that timeframe, but if you look out a couple of years, given the initiatives you've got going on and the mix as you see it, how do you expect that to trend over the next few years? What's the potential magnitude that we could see on that line?

Tom McCarthy (Acting Chief Financial Officer):

That is a little bit of a difficult question to answer. As we've pointed out, our expense ratio is a function of the mix of business that we're in and we have a heavier weighting of our business towards ASO business than our competitors. By the nature of that, with that being fee-based revenues without the premium to cover claim costs, ASO tends to have a higher expense ratio.

So we have two dynamics going on here. We are becoming more efficient so we are expecting both through business growth and operating expense efficiencies to report a more efficient result, but whether that shows up as a lower expense ratio really will depend on what the mix of business looks like.

We just talked about anticipating ASO as a growing portion of our business so on a reported basis that would tend to push the expense ratio up. So my view is we really need to understand, on a mix adjusted basis, what kind of progress are we making and are we becoming more efficient, and then put that in the context of the expense ratio for our investors and the analysts so they can understand whether we're making progress on our expense goals or not.

Doug Simpson (Morgan Stanley):

Okay. Any updated thoughts on the distribution side in the smaller end of the market. Any update on what you're seeing in terms of competitive responses to the new reform rules?

David Cordani (President and Chief Executive Officer):

My comments will be for 50 life employers as above, as you know we don't really play in the under 50 life space.

Consistent with some of the period dialogue, what we've seen and continue to see is an increasing demand and appetite for ASO programs down market. What we also see is increasing openness to some broader wellness solutions. You have to be really pinpointed in how you secure a wellness program for a 60 life employer versus a 600 life employer, but the broad theme we've seen is a much higher appetite for ASO solutions.

I commented in my prepared remarks that, for example, in the Select segment, which is 250 down to 50 life employers, our first quarter new business sales were 50% ASO sales, which was up meaningfully from the first quarter of 2010 -- this reinforces that trend.

Carl McDonald (Citi):

These are my numbers, so I realize your projections may have been a little bit different, but if I look at the commercial risk business, the loss ratio is about 450 basis points better than what I was expecting and the overall loss ratio was down 130 basis points versus what I'm expecting. In taking your comment that experience rated loss ratio was down, should I read that there was some pressure somewhere else in the business either specialty or Medicare? Or that just the experience rated loss ratio was down, but down just very minimally?

Tom McCarthy (Acting Chief Financial Officer):

I think it is just a little bit of seasonality and mix of business. First, we have the Part D loss ratio, which of course, we'd expect to be high in the first quarter and the experience rated loss ratio tends to be higher than the average of the total book of business. So the experience rate loss ratio is down, but it's still higher than the average of the total book.

I really can't give you any more context on your projections. Yes, the experience loss ratio is higher than average, but it is down and, yes, we do have, as we would expect, a higher first quarter Part D loss ratio.

Carl McDonald (Citi):

Can you put a little bit more quantification around the ASO stop loss revenue differential? If we're thinking about just a base commercial risk product that's $300 a month and a base ASO product that's $20 a month, so basically a, whatever it is, 90% hit to revenue? As you said, it's lower for the Select segment, with the ASO fee plus stop loss, but should we think about 10% lower, 50% lower, what's the right magnitude there?

Tom McCarthy (Acting Chief Financial Officer):

Carl, I think that might be a good question to follow up with Ted and the Investor Relations team, but that kind of dynamic is going to really depend on an awful lot of things -- the attachment points, the coverage the client buys, etc. -- so it's not a simple answer. Maybe some follow-up with the Investor Relations team would make more sense.

Kevin Fischbeck (Bank of America Merrill Lynch):

You talked a bit about the specialty business, kind of adding to the growth in the commercial business this quarter and it seems like a lot of the companies are focused on that aspect of it. I just wanted to get your sense of kind of where we are on a competitive basis in that this business. Are you seeing any pressure on margins in that business?

David Cordani (President and Chief Executive Officer):

That business, like any other business, has to continue to evolve and innovate and I'll give you two examples.

We've been able to evolve and innovate our dental offering pretty significantly in terms of the network configurations as well as the clinical coordination programs, and as a result we saw tremendous traction in the dental portfolio in 2011.

A second example of evolving and innovating solutions, I referenced Your Health First program in my prepared remarks, which is a fully integrated whole-person coaching module around chronic conditions which is different than what's existed in the marketplace in the past. Through that and matching it up with our consultative selling approach, we've continued to see good traction and support for packaged or targeted cross selling.

What we have seen is that without the very targeted consultative selling, you see pressure. You either see commoditized price pressure or the pressure to not purchase certain services as the economic pressures are confronting employers. Fortunately for us, we've been able to achieve our cross selling goals and objectives by using the very targeted consultative selling approach and continue to innovate our solutions.

Kevin Fischbeck (Bank of America Merrill Lynch):

So we should think about the specialty business the same way that we think about the health plan business, which is some people focus on discounts, but you guys are able to shine with the customers who value a more wholistic view to cost trend and things like that?

David Cordani (President and Chief Executive Officer):

Kevin, that's a good comparator.

Kevin Fischbeck (Bank of America Merrill Lynch):

Can you talk a little bit about the International business? Obviously the revenue growth was quite strong with the acquisition, but the margins were down. Is there anything going on there on the margins side besides just maybe some integration costs related to Vanbreda? Is there anything else we should be thinking about as far as product mix shift or anything going on there?

Tom McCarthy (Acting Chief Financial Officer):

No, there really isn't anything of note. As you pointed out, the margins by product are different and especially in the early years of Vanbreda, there will be an impact, but nothing unusual or out of expectations.

Kevin Fishbeck: Okay, great, thank you.

Operator: Thank you, Mr. Fishbeck. We will go next to Chris Rigg with Susquehanna Financial Group.

Chris Rigg (Susquehanna)

I have sort of a follow up on the last question. In the International segment, is there any reason in particular why we would expect further margin erosion over the balance of the year? Is there seasonality in that business, anything worth pointing out?

Tom McCarthy (Acting Chief Financial Officer):

I don't think there's any particular call out there. I would point out that we had very strong persistency results and there could be some normalization of that over the balance of the year, which is why our outlook doesn't take the first quarter and multiply it by four. Your not missing an important underlying dynamic.

Chris Rigg (Susquehanna)

Can you give us a sense for revenues now as steady state with no new acquisitions compared to the longer term margin profile of your current book in the International business if possible?

David Cordani (President and Chief Executive Officer):

What we've said for our International portfolio of businesses is that we see the ability for sustained double-digit top line growth. People have challenged us on whether double-digit means the lower end of double-digits and the answer to that is no -- mid-teens and above top line growth for that business.

Over time, the business has performed with very strong margins. You've seen the margins bounce around a little bit, but we've spiked out some one-timers from last year. I would draw your attention back to those one-timers that I would encourage you to think about. The first quarter of 2011 is even that much more exciting for us because it didn't benefit from one-timers comparable to last year.

More importantly for this business, what's driving the opportunity going forward is in the Health, Life and Accident portfolio with the continued and rapid growing middle class in a variety of countries around the world -- this present a tremendous growth opportunity for us going forward. Tom highlighted persistency and retention, which is rightful, as that is a critical part of our strategy to secure individual relationships and then expand on them with cross selling and then feed them with new relationships.

Then, as we continue to build on our Expatriate and globally mobile portfolio, both the revenue growth there and margin growth is quite attractive. Over time, excluding acquisitions to your point, we see very attractive top line and bottom line growth opportunities for that business portfolio.

Dave Windley (Jefferies & Company):

I want to stick with International. Your revenue growth for the year, I believe, is around 19% for International and you exceeded that pretty dramatically in the first quarter. Was that seasonality or just upside surprise in the first quarter?

David Cordani (President and Chief Executive Officer):

I would say first, the underlying the revenue is good news, and I appreciate you putting the spotlight on that for International

There was consistency taking place around strong retention. There was a big step function of revenue as well, as the team had an outstanding January for the Expatriate Benefits portfolio of businesses.

In addition to very strong retention, that's been consistent, the new business sales within that portfolio were just outstanding for January 1. You'll see that in our financial supplement cover lives are growing as well. That would be the additional item I'd highlight -- consistency relative to the strong retention, ongoing fundamentals of cross selling and new business sales, but also for the first quarter of the year, a really significant and attractive step function, just reinforcing the power of the value prop we have for the Expatriate in the globally mobile business.

Dave Windley (Jefferies & Company):

Super. Are those sales that you highlight outside of Vanbreda or are you including the efforts within Vanbreda to shift the customer base from more the TPA to a fully insured?

David Cordani (President and Chief Executive Officer):

Yes, my comments were broadly speaking, exclusive of the Vanbreda contribution. Our early traction with Vanbreda is in line with our expectations. Holding that aside, many of the sales that were secured for January of 2011 were secured throughout the summer months of 2010. It's reinforcement of the value prop that CIGNA Expatriate benefits had in the marketplace and we see that as expanding further now as we go forward and build off of Vanbreda and CIGNA Expatriate Benefits together.

Dave Windley (Jefferies & Company):

Okay, and so no reason to believe that that sales benefit to the revenue line would not persist through the balance of the year.

David Cordani (President and Chief Executive Officer):

Well, as I noted, the first quarter was truly outstanding so since I'm sure my International team is listening, we won't take any pressure off of them, but accordingly, Tom noted we took up the earnings outlook for International business for the full year. In part, it's because of the traction from the early part of the year and we see this as a very robust opportunity for us going forward.

David Cordani (President and Chief Executive Officer):

Thank you everybody. Before we conclude I just want to reinforce a few key themes. –

First and foremost, we delivered strong results in 2010. We set competitively attractive targets for 2011 and we've exceeded those targets in the first quarter and we expect it for the full year now.

Secondly, our first quarter results reflect continued effective execution of our growth strategy as we remain focused on delivering on our mission, which is to improve the health, well being, and sense of security of the individuals we serve.

I am confident in our ability to achieve our full year 2011 strategic financial and operating goals and I believe our company is well positioned to deliver on sustained profitable growth over the long term, as we seek to provide Enduring Customer Value in what is a very dynamic marketplace.

We thank you for joining us on the call and look forward to talking in the future. Have a great day.

END