SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-08323

CIGNA Corporation

(Exact name of registrant as specified in its charter)

Delaware	**06-1059331**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Two Liberty Place, 1601 Chestnut Street
Philadelphia, Pennsylvania 19192
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code **(215) 761-1000**

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of April 16, 2010, 276,674,906 shares of the issuer's common stock were outstanding.

CIGNA CORPORATION

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As used herein, "CIGNA" or the "Company" refers to one or more of CIGNA Corporation and its consolidated subsidiaries.

Part I. *FINANCIAL INFORMATION*

Item 1. *FINANCIAL STATEMENTS*

CIGNA Corporation
Consolidated Statements of Income

(In millions, except per share amounts)	Unaudited Three Months Ended March 31, **2010**	2009
Revenues		
Premiums and fees	**$ 4,543**	$ 4,051
Net investment income	**266**	229
Mail order pharmacy revenues	**348**	312
Other revenues	**54**	217
Realized investment losses:		
Other-than-temporary impairments on debt securities, net	**(1)**	(17)
Other realized investment losses	**(5)**	(19)
Total realized investment losses	**(6)**	(36)
Total revenues	**5,205**	4,773
Benefits and Expenses		
Health Care medical claims expense	**2,209**	1,780
Other benefit expenses	**879**	1,108
Mail order pharmacy cost of goods sold	**285**	252
GMIB fair value gain	**(4)**	(32)
Other operating expenses	**1,414**	1,392
Total benefits and expenses	**4,783**	4,500
Income from Continuing Operations before Income Taxes	**422**	273
Income taxes (benefits):		
Current	**87**	(85)
Deferred	**51**	150
Total taxes	**138**	65
Income from Continuing Operations	**284**	208
Income from Discontinued Operations, Net of Taxes	**—**	1
Net Income	**284**	209
Less: Net Income Attributable to Noncontrolling Interest	**1**	1
Shareholders' Net Income	**$ 283**	$ 208
Basic Earnings Per Share:		
Shareholders' income from continuing operations	**$ 1.03**	$ 0.76
Shareholders' income from discontinued operations	**—**	—
Shareholders' net income	**$ 1.03**	$ 0.76
Diluted Earnings Per Share:		
Shareholders' income from continuing operations	**$ 1.02**	$ 0.76
Shareholders' income from discontinued operations	**—**	—
Shareholders' net income	**$ 1.02**	$ 0.76
Dividends Declared Per Share	**$ 0.040**	$ 0.040
Amounts Attributable to CIGNA:		
Shareholders' income from continuing operations	**$ 283**	$ 207
Shareholders' income from discontinued operations	**—**	1
Shareholders' Net Income	**$ 283**	$ 208

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

CIGNA Corporation
Consolidated Balance Sheets

(In millions, except per share amounts)		**Unaudited As of March 31, 2010**		As of December 31, 2009
Assets				
Investments:				
Fixed maturities, at fair value (amortized cost, $12,958; $12,580)		**$ 13,977**		$ 13,443
Equity securities, at fair value (cost, $141; $137)		**122**		113
Commercial mortgage loans		**3,493**		3,522
Policy loans		**1,529**		1,549
Real estate		**160**		124
Other long-term investments		**597**		595
Short-term investments		**188**		493
Total investments		**20,066**		19,839
Cash and cash equivalents		**1,299**		924
Accrued investment income		**278**		238
Premiums, accounts and notes receivable, net		**1,515**		1,361
Reinsurance recoverables		**6,520**		6,597
Deferred policy acquisition costs		**1,011**		943
Property and equipment		**860**		862
Deferred income taxes, net		**941**		1,029
Goodwill		**2,879**		2,876
Other assets, including other intangibles		**1,004**		1,056
Separate account assets		**7,491**		7,288
Total assets		**$ 43,864**		$ 43,013
Liabilities				
Contractholder deposit funds		**$ 8,506**		$ 8,484
Future policy benefits		**8,116**		8,136
Unpaid claims and claim expenses		**3,996**		3,968
Health Care medical claims payable		**1,341**		921
Unearned premiums and fees		**432**		427
Total insurance and contractholder liabilities		**22,391**		21,936
Accounts payable, accrued expenses and other liabilities		**5,606**		5,797
Short-term debt		**326**		104
Long-term debt		**2,212**		2,436
Nonrecourse obligations		**23**		23
Separate account liabilities		**7,491**		7,288
Total liabilities		**38,049**		37,584
Contingencies — Note 17				
Shareholders' Equity				
Common stock (par value per share, $0.25; shares issued, 351)		**88**		88
Additional paid-in capital		**2,522**		2,514
Net unrealized appreciation, fixed maturities	**$ 450**		$ 378	
Net unrealized appreciation, equity securities	**4**		4	
Net unrealized depreciation, derivatives	**(26)**		(30)	
Net translation of foreign currencies	**(8)**		(12)	
Postretirement benefits liability adjustment	**(950)**		(958)	
Accumulated other comprehensive loss		**(530)**		(618)
Retained earnings		**8,840**		8,625
Less treasury stock, at cost		**(5,119)**		(5,192)
Total shareholders' equity		**5,801**		5,417
Noncontrolling interest		**14**		12
Total equity		**5,815**		5,429
Total liabilities and equity		**$ 43,864**		$ 43,013
Shareholders' Equity Per Share		**$ 20.97**		$ 19.75

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

CIGNA Corporation
Consolidated Statements of Comprehensive Income and Changes in Total Equity

	Unaudited			
	2010		2009	
(In millions, except per share amounts) **Three Months Ended March 31,**	**Compre-hensive Income**	**Total Equity**	Compre-hensive Income	Total Equity
Common Stock, January 1 and March 31,		**$ 88**		$ 88
Additional Paid-In Capital, January 1,		**2,514**		2,502
Effects of stock issuance for employee benefit plans		**8**		3
Additional Paid-In Capital, March 31,		**2,522**		2,505
Accumulated Other Comprehensive Loss, January 1,		**(618)**		(1,074)
Net unrealized appreciation, fixed maturities	**$ 72**	**72**	$ 53	53
Net unrealized depreciation, equity securities	**—**	**—**	(2)	(2)
Net unrealized appreciation on securities	**72**		51	
Net unrealized appreciation, derivatives	**4**	**4**	11	11
Net translation of foreign currencies	**4**	**4**	(28)	(28)
Postretirement benefits liability adjustment	**8**	**8**	4	4
Other comprehensive income	**88**		38	
Accumulated Other Comprehensive Loss, March 31,		**(530)**		(1,036)
Retained Earnings, January 1,		**8,625**		7,374
Shareholders’ net income	**283**	**283**	208	208
Effects of stock issuance for employee benefit plans		**(57)**		(35)
Common dividends declared (per share: $0.04; $0.04)		**(11)**		(11)
Retained Earnings, March 31,		**8,840**		7,536
Treasury Stock, January 1,		**(5,192)**		(5,298)
Other, primarily issuance of treasury stock for employee benefit plans		**73**		36
Treasury Stock, March 31,		**(5,119)**		(5,262)
Shareholders’ Comprehensive Income and Shareholders’ Equity	**371**	**5,801**	246	3,831
Noncontrolling interest, January 1,		**12**		6
Net income attributable to noncontrolling interest	**1**	**1**	1	1
Accumulated other comprehensive income attributable to noncontrolling interest	**1**	**1**	—	—
Noncontrolling interest, March 31,	**2**	**14**	1	7
Total Comprehensive Income and Total Equity	**$ 373**	**$ 5,815**	$ 247	$ 3,838

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

CIGNA Corporation
Consolidated Statements of Cash Flows

(In millions)	Unaudited Three Months Ended March 31, 2010	2009
Cash Flows from Operating Activities		
Net income	**$ 284**	$ 209
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**61**	69
Realized investment losses	**6**	36
Deferred income taxes	**51**	150
Gains on sale of businesses (excluding discontinued operations)	**(6)**	(8)
Income from discontinued operations, net of taxes	**—**	(1)
Net changes in assets and liabilities, net of non-operating effects:		
Premiums, accounts and notes receivable	**(148)**	(124)
Reinsurance recoverables	**23**	(11)
Deferred policy acquisition costs	**(60)**	(28)
Other assets	**41**	78
Insurance liabilities	**406**	273
Accounts payable, accrued expenses and other liabilities	**(299)**	(464)
Current income taxes	**79**	(90)
Other, net	**(44)**	(17)
Net cash provided by operating activities	**394**	72
Cash Flows from Investing Activities		
Proceeds from investments sold:		
Fixed maturities	**240**	119
Commercial mortgage loans	**1**	—
Other (primarily short-term and other long-term investments)	**443**	267
Investment maturities and repayments:		
Fixed maturities	**172**	199
Commercial mortgage loans	**11**	6
Investments purchased:		
Fixed maturities	**(752)**	(543)
Equity securities	**(4)**	—
Commercial mortgage loans	**(32)**	(8)
Other (primarily short-term and other long-term investments)	**(145)**	(146)
Property and equipment purchases	**(52)**	(60)
Other (primarily other acquisitions/dispositions)	**(5)**	—
Net cash used in investing activities	**(123)**	(166)
Cash Flows from Financing Activities		
Deposits and interest credited to contractholder deposit funds	**354**	373
Withdrawals and benefit payments from contractholder deposit funds	**(309)**	(322)
Change in cash overdraft position	**40**	14
Net change in short-term debt	**—**	74
Repayment of long-term debt	**(2)**	(2)
Issuance of common stock	**24**	—
Net cash provided by financing activities	**107**	137
Effect of foreign currency rate changes on cash and cash equivalents	**(3)**	(10)
Net increase in cash and cash equivalents	**375**	33
Cash and cash equivalents, January 1,	**924**	1,342
Cash and cash equivalents, March 31,	**$ 1,299**	$ 1,375
Supplemental Disclosure of Cash Information:		
Income taxes paid, net of refunds	**$ 6**	$ 9
Interest paid	**$ 32**	$ 35

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Note 1 — Basis of Presentation

The Consolidated Financial Statements include the accounts of CIGNA Corporation and its significant subsidiaries (referred to collectively as “the Company”). Intercompany transactions and accounts have been eliminated in consolidation. These Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

The interim consolidated financial statements are unaudited but include all adjustments (including normal recurring adjustments) necessary, in the opinion of management, for a fair statement of financial position and results of operations for the periods reported. The interim consolidated financial statements and notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company’s Form 10-K for the year ended December 31, 2009.

The preparation of interim consolidated financial statements necessarily relies heavily on estimates. This and certain other factors, such as the seasonal nature of portions of the health care and related benefits business as well as competitive and other market conditions, call for caution in estimating full year results based on interim results of operations.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Discontinued operations for the three months ended March 31, 2009 represented a $1 million after-tax benefit from the settlement of certain issues related to a past divestiture.

Unless otherwise indicated, amounts in these Notes exclude the effects of discontinued operations.

Note 2 — Recent Accounting Pronouncements

Variable interest entities. Effective January 1, 2010, the Company adopted the Financial Accounting Standards Board’s (“FASB”) amended guidance that requires ongoing qualitative analysis to determine whether a variable interest entity must be consolidated based on the entity’s purpose and design, the Company’s ability to direct the entity’s activities that most significantly impact its economic performance, and the Company’s right or obligation to participate in that performance (ASC 810). A variable interest entity is insufficiently capitalized or is not controlled by its equity owners through voting or similar rights. These amendments must be applied to qualifying special-purpose entities and troubled debt restructures formerly excluded from such analysis. On adoption, the Company was not required to consolidate any variable interest entities and there were no effects to its results of operations or financial condition. Although consolidation was not required, disclosures about the Company’s involvement with variable interest entities have been provided in Note 10.

Transfers of financial assets. Effective January 1, 2010, the Company adopted the FASB’s guidance for accounting for transfers of financial assets (ASC 860) that changes the requirements for recognizing the transfer of financial assets and requires additional disclosures about a transferor’s continuing involvement in transferred financial assets. The guidance also eliminates the concept of a “qualifying special purpose entity” when assessing transfers of financial instruments. On adoption, there were no effects to the Company’s results of operations or financial condition.

Fair value measurements. The Company adopted the FASB’s updated guidance on fair value measurements (ASU 2010-06) in the first quarter of 2010, which requires separate disclosures of significant transfers between levels in the fair value hierarchy. See Note 7 for additional information.

Other-than-temporary impairments. On April 1, 2009, the Company adopted the FASB’s updated guidance for evaluating whether an impairment is other than temporary for fixed maturities with declines in fair value below amortized cost (ASC 320). A reclassification adjustment from retained earnings to accumulated other comprehensive income was required for previously impaired fixed maturities that had a non-credit loss as of the date of adoption, net of related tax effects.

The cumulative effect of adoption increased the Company’s retained earnings in the second quarter of 2009 with an offsetting decrease to accumulated other comprehensive income of $18 million, with no overall change to shareholders’ equity. See Note 8 for information on the Company’s other-than-temporary impairments including additional required disclosures.

Note 3 — Earnings Per Share (“EPS”)

Basic and diluted earnings per share were computed as follows:

(Dollars in millions, except per share amounts) Three Months Ended March 31,	Basic	Effect of Dilution	Diluted
2010			
Shareholders’ income from continuing operations	**$ 283**		**$ 283**
Shares (in thousands):			
Weighted average	**275,688**		**275,688**
Common stock equivalents		**2,412**	**2,412**
Total shares	**275,688**	**2,412**	**278,100**
EPS	**$ 1.03**	**$ (0.01)**	**$ 1.02**
2009			
Shareholders’ income from continuing operations	$ 207		$ 207
Shares (in thousands):			
Weighted average	272,591		272,591
Common stock equivalents		277	277
Total shares	272,591	277	272,868
EPS	$ 0.76	$ —	$ 0.76

The following outstanding employee stock options were not included in the computation of diluted earnings per share because their effect would have increased diluted earnings per share (antidilutive) as their exercise price was greater than the average share price of the Company’s common stock for the period.

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Antidilutive options	**5.2**	11.3

The Company held 74,283,513 shares of common stock in Treasury as of March 31, 2010, and 78,169,190 shares as of March 31, 2009.

Note 4 — Health Care Medical Claims Payable

Medical claims payable for the Health Care segment reflects estimates of the ultimate cost of claims that have been incurred but not yet reported, those which have been reported but not yet paid (reported claims in process) and other medical expense payable, which primarily comprises accruals for provider incentives and other amounts payable to providers. Incurred but not yet reported comprises the majority of the reserve balance as follows:

(In millions)	**March 31, 2010**	December 31, 2009
Incurred but not yet reported	**$ 1,185**	$ 790
Reported claims in process	**137**	114
Other medical expense payable	**19**	17
Medical claims payable	**$ 1,341**	$ 921

Activity in medical claims payable was as follows:

	For the period ended	
(In millions)	**March 31, 2010**	December 31, 2009
Balance at January 1,	**$ 921**	$ 924
Less: Reinsurance and other amounts recoverable	**206**	211
Balance at January 1, net	**715**	713
Incurred claims related to:		
Current year	**2,259**	6,970
Prior years	**(50)**	(43)
Total incurred	**2,209**	6,927
Paid claims related to:		
Current year	**1,321**	6,278
Prior years	**507**	647
Total paid	**1,828**	6,925
Ending Balance, net	**1,096**	715
Add: Reinsurance and other amounts recoverable	**245**	206
Ending Balance	**$ 1,341**	$ 921

Reinsurance and other amounts recoverable reflect amounts due from reinsurers and policyholders to cover incurred but not reported and pending claims for minimum premium products and certain administrative services only business where the right of offset does not exist. See Note 11 for additional information on reinsurance. For the three months ended March 31, 2010, actual experience differed from the Company's key assumptions resulting in favorable incurred claims related to prior years' medical claims payable of $50 million, or 0.7% of the current year incurred claims as reported for the year ended December 31, 2009. Actual completion factors resulted in a reduction in medical claims payable of $24 million, or 0.3% of the current year incurred claims as reported for the year ended December 31, 2009 for the insured book of business. Actual medical cost trend resulted in a reduction in medical claims payable of $26 million, or 0.4% of the current year incurred claims as reported for the year ended December 31, 2009 for the insured book of business.

For the year ended December 31, 2009, actual experience differed from the Company's key assumptions, resulting in favorable incurred claims related to prior years' medical claims payable of $43 million, or 0.6% of the current year incurred claims as reported for the year ended December 31, 2008. Actual completion factors resulted in a reduction of the medical claims payable of $21 million, or 0.3% of the current year incurred claims as reported for the year ended December 31, 2008 for the insured book of business. Actual medical cost trend resulted in a reduction of the medical claims payable of $22 million, or 0.3% of the current year incurred claims as reported for the year ended December 31, 2008 for the insured book of business.

The favorable impacts in 2010 and 2009 relating to completion factors and medical cost trend variances are primarily due to the release of the provision for moderately adverse conditions, which is a component of the assumptions for both completion factors and medical cost trend, established for claims incurred related to prior years. This release was substantially offset by the provision for moderately adverse conditions established for claims incurred related to the current year.

The corresponding impact of prior year development on shareholders' net income was not material for the three months ended March 31, 2010 and 2009. The change in the amount of the incurred claims related to prior years in the medical claims payable liability does not directly correspond to an increase or decrease in the Company's shareholders' net income recognized for the following reasons:

First, due to the nature of the Company's retrospectively experience-rated business, only adjustments to medical claims payable on accounts in deficit affect shareholders' net income. An increase or decrease to medical claims payable on accounts in deficit, in effect, accrues to the Company and directly impacts shareholders' net income. An account is in deficit when the accumulated medical costs and administrative charges, including profit charges, exceed the accumulated premium received. Adjustments to medical claims payable on accounts in surplus accrue directly to the policyholder with no impact on the Company's shareholders' net income. An account is in surplus when the accumulated premium received exceeds the accumulated medical costs and administrative charges, including profit charges.

Second, the Company consistently recognizes the actuarial best estimate of the ultimate liability within a level of confidence, as required by actuarial standards of practice, which require that the liabilities be adequate under moderately adverse conditions. As the Company establishes the liability for each incurral year, the Company ensures that its assumptions appropriately consider moderately adverse conditions. When a portion of the development related to the prior year incurred claims is offset by an increase determined appropriate to address moderately adverse conditions for the current year incurred claims, the Company does not consider that offset amount as having any impact on shareholders' net income.

The determination of liabilities for Health Care medical claims payable required the Company to make critical accounting estimates. See Note 2(N) to the Consolidated Financial Statements in the Company's 2009 Form 10-K.

Note 5 — Cost Reduction

As part of its strategy, the Company has undertaken several initiatives to realign its organization and consolidate support functions in an effort to increase efficiency and responsiveness to customers and to reduce costs.

During 2008 and 2009, the Company conducted a comprehensive review to reduce the operating expenses of its ongoing businesses (“cost reduction program”). As a result, the Company recognized severance-related and real estate charges in other operating expenses.

Substantially all of these charges were recorded in the Health Care segment, and are expected to be paid in cash by the end of 2010.

Cost reduction activity for 2010 was as follows:

(In millions)	Severance	Real estate	Total
Balance, January 1, 2010	$ 33	$ 8	$ 41
Less: Payments	10	1	11
Balance, March 31, 2010	$ 23	$ 7	$ 30

Note 6 — Guaranteed Minimum Death Benefit Contracts

The Company’s reinsurance operations, which were discontinued in 2000 and are now an inactive business in run-off mode, reinsured a guaranteed minimum death benefit (“GMDB”), also known as variable annuity death benefits (“VADBe”), under certain variable annuities issued by other insurance companies. These variable annuities are essentially investments in mutual funds combined with a death benefit. The Company has equity and other market exposures as a result of this product. In periods of declining equity markets and in periods of flat equity markets following a decline, the Company’s liabilities for these guaranteed minimum death benefits increase. Conversely, in periods of rising equity markets, the Company’s liabilities for these guaranteed minimum death benefits decrease.

In order to substantially reduce the equity market exposures relating to guaranteed minimum death benefit contracts, the Company operates a dynamic hedge program (“GMDB equity hedge program”), using exchange-traded futures contracts. The hedge program is designed to offset both positive and negative impacts of changes in equity markets on the GMDB liability. The hedge program involves detailed, daily monitoring of equity market movements and rebalancing the futures contracts within established parameters. While the hedge program is actively managed, it may not exactly offset changes in the GMDB liability due to, among other things, divergence between the performance of the underlying mutual funds and the hedge instruments, high levels of volatility in the equity markets, and differences between actual contractholder behavior and what is assumed. The performance of the underlying mutual funds compared to the hedge instruments is further impacted by a time lag, since the data is not reported and incorporated into the required hedge position on a real time basis. Although this hedge program does not qualify for GAAP hedge accounting, it is an economic hedge because it is designed to reduce and is effective in reducing equity market exposures resulting from this product. The results of the futures contracts are included in other revenue and amounts reflecting corresponding changes in liabilities for these GMDB contracts are included in benefits and expenses.

In 2000, the Company determined that the GMDB reinsurance business was premium deficient because the recorded future policy benefit reserve was less than the expected present value of future claims and expenses less the expected present value of future premiums and investment income using revised assumptions based on actual and expected experience. As a result, the Company increased its reserves. Since that time, the Company has tested for premium deficiency by performing a reserve review on a quarterly basis using current market conditions and assumptions. Under premium deficiency accounting, if the recorded reserve is determined insufficient, an increase to the reserve is reflected as a charge to current period income. Consistent with GAAP, the Company does not recognize gains on premium deficient long duration products.

The Company had future policy benefit reserves for GMDB contracts of $1.2 billion as of March 31, 2010, and $1.3 billion as of December 31, 2009. The determination of liabilities for GMDB requires the Company to make critical accounting estimates. The Company estimates its liabilities for GMDB exposures using a complex internal model run using many scenarios and based on assumptions regarding lapse, future partial surrenders, claim mortality (deaths that result in claims), interest rates (mean investment performance and discount rate) and volatility. Lapse refers to the full surrender of an annuity prior to a contractholder's death. Future partial surrender refers to the fact that most contractholders have the ability to withdraw substantially all of their mutual fund investments while retaining the death benefit coverage in effect at the time of the withdrawal. Mean investment performance for underlying equity mutual funds refers to market rates expected to be earned on the hedging instruments over the life of the GMDB equity hedge program, and for underlying fixed income mutual funds refers to the expected market return over the life of the contracts. Market volatility refers to market fluctuation. These assumptions are based on the Company's experience and future expectations over the long-term period, consistent with the long-term nature of this product. The Company regularly evaluates these assumptions and changes its estimates if actual experience or other evidence suggests that assumptions should be revised. If actual experience differs from the assumptions (including lapse, future partial surrenders, claim mortality, interest rates and volatility) used in estimating these liabilities, the result could have a material adverse effect on the Company's consolidated results of operations, and in certain situations, could have a material adverse effect on the Company's financial condition.

The following provides information about the Company's reserving methodology and assumptions for GMDB as of March 31, 2010:

- The reserves represent estimates of the present value of net amounts expected to be paid, less the present value of net future premiums. Included in net amounts expected to be paid is the excess of the guaranteed death benefits over the values of the contractholders' accounts (based on underlying equity and bond mutual fund investments).

- The reserves include an estimate for partial surrenders that essentially lock in the death benefit for a particular policy based on annual election rates that vary from 0-21% depending on the net amount at risk for each policy and whether surrender charges apply.

- The assumed mean investment performance for the underlying equity mutual funds considers the Company's GMDB equity hedge program using futures contracts, and is based on the Company's view that short-term interest rates will average 5% over future periods, but considers that current short-term rates are less than 5%. The mean investment performance assumption for the underlying fixed income mutual funds (bonds and money market) is 5% based on a review of historical returns. The investment performance for underlying equity and fixed income mutual funds is reduced by fund fees ranging from 1-3% across all funds. The results of futures contracts are reflected in the liability calculation as a component of investment returns.

- The volatility assumption is based on a review of historical monthly returns for each key index (e.g. S&P 500) over a period of at least ten years. Volatility represents the dispersion of historical returns compared to the average historical return (standard deviation) for each index. The assumption is 16-27%, varying by equity fund type; 4-10%, varying by bond fund type; and 2% for money market funds. These volatility assumptions are used along with the mean investment performance assumption to project future return scenarios.

- The discount rate is 5.75%.

- The claim mortality assumption is 65-89% of the 1994 Group Annuity Mortality table, with 1% annual improvement beginning January 1, 2000. For certain contracts, a spousal beneficiary is allowed to elect to continue a contract by becoming its new owner, thereby, postponing the death claim rather than receiving the death benefit currently. For certain issuers of these contracts, the claim mortality assumption depends on age, gender, and net amount at risk for the policy.

- The lapse rate assumption is 0-21%, depending on contract type, policy duration and the ratio of the net amount at risk to account value.

No reserve strengthening was required for GMDB in the first quarter of 2010, primarily due to the stabilization and recovery of equity markets.

In the first quarter of 2009, the Company reported a loss related to GMDB of $75 million pre-tax ($49 million after-tax), which included a charge of $73 million pre-tax ($47 million after-tax) to strengthen GMDB reserves. The reserve strengthening primarily reflected an increase in the provision for future partial surrenders due to market declines, adverse volatility-related impacts due to turbulent equity market conditions, and interest rate impacts.

Activity in future policy benefit reserves for the GMDB business was as follows:

(In millions)	For the period ended March 31, 2010	For the period ended December 31, 2009
Balance at January 1	**$ 1,285**	$ 1,609
Add: Unpaid Claims	**36**	34
Less: Reinsurance and other amounts recoverable	**53**	83
Balance at January 1, net	**1,268**	1,560
Add: Incurred benefits	**(23)**	(122)
Less: Paid benefits	**27**	170
Ending balance, net	**1,218**	1,268
Less: Unpaid Claims	**36**	36
Add: Reinsurance and other amounts recoverable	**49**	53
Ending balance	**$ 1,231**	$ 1,285

Benefits paid and incurred are net of ceded amounts. Incurred benefits reflect the favorable or unfavorable impact of a rising or falling equity market on the liability, and include the charges discussed above. As discussed below, losses or gains have been recorded in other revenues as a result of the GMDB equity hedge program to reduce equity market exposures.

The aggregate value of the underlying mutual fund investments was $17.2 billion as of March 31, 2010 and December 31, 2009. The death benefit coverage in force was $6.3 billion as of March 31, 2010 and $7.0 billion as of December 31, 2009. The death benefit coverage in force represents the excess of the guaranteed benefit amount over the value of the underlying mutual fund investments for all contractholders (approximately 570,000 as of March 31, 2010 and 590,000 as of December 31, 2009).

As discussed above, the Company operates a GMDB equity hedge program to substantially reduce the equity market exposures of this business by selling exchange-traded futures contracts, which are expected to rise in value as the equity market declines and decline in value as the equity market rises. In addition, the Company uses foreign currency futures contracts to reduce the international equity market and foreign currency risks associated with this business. The notional amount of futures contract positions held by the Company at March 31, 2010 was $1.0 billion. The Company recorded in other revenues pre-tax losses of $45 million for the three months ended March 31, 2010, and pre-tax gains of $117 million for the three months ended March 31, 2009.

The Company has also written reinsurance contracts with issuers of variable annuity contracts that provide annuitants with certain guarantees related to minimum income benefits ("GMIB"). All reinsured GMIB policies also have a GMDB benefit reinsured by the Company. See Note 7 for further information.

Note 7 — Fair Value Measurements

The Company carries certain financial instruments at fair value in the financial statements including fixed maturities, equity securities, short-term investments and derivatives. Other financial instruments are measured at fair value under certain conditions, such as when impaired.

Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date. A liability's fair value is defined as the amount that would be paid to transfer the liability to a market participant, not the amount that would be paid to settle the liability with the creditor.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models and assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price. These valuation techniques involve some level of estimation and judgment by the Company which becomes significant with increasingly complex instruments or pricing models.

The Company's financial assets and liabilities carried at fair value have been classified based upon a hierarchy defined by GAAP. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level of input that is significant to its measurement. For example, a financial asset or liability carried at fair value would be classified in Level 3 if unobservable inputs were significant to the instrument's fair value, even though the measurement may be derived using inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The Company performs ongoing analyses of prices used to value the Company's invested assets to determine that they represent appropriate estimates of fair value. This process involves quantitative and qualitative analysis including reviews of pricing methodologies, judgments of valuation inputs, the significance of any unobservable inputs, pricing statistics and trends. The Company also performs sample testing of sales values to confirm the accuracy of prior fair value estimates. These procedures are overseen by the Company's investment professionals.

Financial Assets and Financial Liabilities Carried at Fair Value

The following tables provide information as of March 31, 2010 and December 31, 2009 about the Company's financial assets and liabilities carried at fair value. Similar disclosures for separate account assets, which are also recorded at fair value on the Company's Consolidated Balance Sheets, are provided separately as gains and losses related to these assets generally accrue directly to policyholders.

March 31, 2010 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets at fair value:				
Fixed maturities:				
Federal government and agency	**$ 36**	**$ 528**	**$ 1**	**$ 565**
State and local government	**—**	**2,523**	**—**	**2,523**
Foreign government	**—**	**1,154**	**15**	**1,169**
Corporate	**—**	**8,658**	**351**	**9,009**
Federal agency mortgage-backed	**—**	**30**	**—**	**30**
Other mortgage-backed	**—**	**114**	**8**	**122**
Other asset-backed	**—**	**84**	**475**	**559**
Total fixed maturities (1)	**36**	**13,091**	**850**	**13,977**
Equity securities	**2**	**86**	**34**	**122**
Subtotal	**38**	**13,177**	**884**	**14,099**
Short-term investments	**—**	**188**	**—**	**188**
GMIB assets (2)	**—**	**—**	**479**	**479**
Other derivative assets (3)	**—**	**18**	**—**	**18**
Total financial assets at fair value, excluding separate accounts	**$ 38**	**$ 13,383**	**$ 1,363**	**$ 14,784**
Financial liabilities at fair value:				
GMIB liabilities	**$ —**	**$ —**	**$ 886**	**$ 886**
Other derivative liabilities	**—**	**27**	**—**	**27**
Total financial liabilities at fair value	**$ —**	**$ 27**	**$ 886**	**$ 913**

(1) Fixed maturities includes $320 million of net appreciation required to adjust future policy benefits for the run-off settlement annuity business including $56 million of appreciation for securities classified in Level 3.

(2) The guaranteed minimum income benefit ("GMIB") assets represent retrocessional contracts in place from two external reinsurers which cover 55% of the exposures on these contracts. The assets are net of a liability of $16 million for the future cost of reinsurance.

(3) Other derivative assets includes $14 million of interest rate and foreign currency swaps qualifying as cash flow hedges and $4 million of interest rate swaps not designated as accounting hedges.

December 31, 2009 (In millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Financial assets at fair value:				
Fixed maturities:				
Federal government and agency	$ 43	$ 527	$ 1	$ 571
State and local government	—	2,521	—	2,521
Foreign government	—	1,056	14	1,070
Corporate	—	8,241	344	8,585
Federal agency mortgage-backed	—	34	—	34
Other mortgage-backed	—	114	7	121
Other asset-backed	—	92	449	541
Total fixed maturities (1)	43	12,585	815	13,443
Equity securities	2	81	30	113
Subtotal	45	12,666	845	13,556
Short-term investments	—	493	—	493
GMIB assets (2)	—	—	482	482
Other derivative assets (3)	—	16	—	16
Total financial assets at fair value, excluding separate accounts	$ 45	$ 13,175	$ 1,327	$ 14,547
Financial liabilities at fair value:				
GMIB liabilities	$ —	$ —	$ 903	$ 903
Other derivative liabilities	—	30	—	30
Total financial liabilities at fair value	$ —	$ 30	$ 903	$ 933

(1) Fixed maturities includes $274 million of net appreciation required to adjust future policy benefits for the run-off settlement annuity business including $38 million of appreciation for securities classified in Level 3.

(2) The GMIB assets represent retrocessional contracts in place from two external reinsurers which cover 55% of the exposures on these contracts. The assets are net of a liability of $15 million for the future cost of reinsurance.

(3) Other derivative assets include $12 million of interest rate and foreign currency swaps qualifying as cash flow hedges and $4 million of interest rate swaps not designated as accounting hedges.

Level 1 Financial Assets

Inputs for instruments classified in Level 1 include unadjusted quoted prices for identical assets in active markets accessible at the measurement date. Active markets provide pricing data for trades occurring at least weekly and include exchanges and dealer markets.

Assets in Level 1 include actively-traded U.S. government bonds and exchange-listed equity securities. Given the narrow definition of Level 1 and the Company's investment asset strategy to maximize investment returns, a relatively small portion of the Company's investment assets are classified in this category.

Level 2 Financial Assets and Financial Liabilities

Inputs for instruments classified in Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are market observable or can be corroborated by market data for the term of the instrument. Such other inputs include market interest rates and volatilities, spreads and yield curves. An instrument is classified in Level 2 if the Company determines that unobservable inputs are insignificant.

Fixed maturities and equity securities. Approximately 93% of the Company's investments in fixed maturities and equity securities are classified in Level 2 including most public and private corporate debt and equity securities, federal agency and municipal bonds, non-government mortgage-backed securities and preferred stocks. Because many fixed maturities and preferred stocks do not trade daily, fair values are often derived using recent trades of securities with similar features and characteristics. When recent trades are not available, pricing models are used to determine these prices. These models calculate fair values by discounting future cash flows at estimated market interest rates. Such market rates are derived by calculating the appropriate spreads over comparable U.S. Treasury securities, based on the credit quality, industry and structure of the asset. Typical inputs and assumptions to pricing models include, but are not limited to, a combination of benchmark yields, reported trades, issuer spreads, liquidity, benchmark securities, bids, offers, reference data, and industry and economic events. For mortgage-backed securities, inputs and assumptions may also include characteristics of the issuer, collateral attributes, prepayment speeds and credit rating.

Nearly all of these instruments are valued using recent trades or pricing models. Less than 1% of the fair value of investments classified in Level 2 represents foreign bonds that are valued, consistent with local market practice, using a single unadjusted market-observable input derived by averaging multiple broker-dealer quotes.

Short-term investments are carried at fair value, which approximates cost. On a regular basis the Company compares market prices for these securities to recorded amounts to validate that current carrying amounts approximate exit prices. The short-term nature of the investments and corroboration of the reported amounts over the holding period support their classification in Level 2.

Other derivatives classified in Level 2 represent over-the-counter instruments such as interest rate and foreign currency swap contracts. Fair values for these instruments are determined using market observable inputs including forward currency and interest rate curves and widely published market observable indices. Credit risk related to the counterparty and the Company is considered when estimating the fair values of these derivatives. However, the Company is largely protected by collateral arrangements with counterparties, and determined that no adjustment for credit risk was required as of March 31, 2010 or December 31, 2009. The nature and use of these other derivatives are described in Note 9.

Level 3 Financial Assets and Financial Liabilities

Certain inputs for instruments classified in Level 3 are unobservable (supported by little or no market activity) and significant to their resulting fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Company classifies certain newly issued, privately placed, complex or illiquid securities, as well as assets and liabilities relating to GMIB in Level 3.

Fixed maturities and equity securities. Approximately 6% of fixed maturities and equity securities are priced using significant unobservable inputs and classified in this category, including:

(In millions)	**March 31, 2010**	December 31, 2009
Mortgage and asset-backed securities	**$ 483**	$ 456
Corporate bonds	**286**	288
Subordinated loans and private equity investments	**115**	101
Total	**$ 884**	$ 845

Fair values of mortgage and asset-backed securities and corporate bonds are determined using pricing models that incorporate the specific characteristics of each asset and related assumptions including the investment type and structure, credit quality, industry and maturity date in comparison to current market indices, spreads and liquidity of assets with similar characteristics. For mortgage and asset-backed securities, inputs and assumptions to pricing may also include collateral attributes and prepayment speeds. Recent trades in the subject security or similar securities are assessed when available, and the Company may also review published research as well as the issuer's financial statements in its evaluation. Subordinated loans and private equity investments are valued at transaction price in the absence of market data indicating a change in the estimated fair values.

Guaranteed minimum income benefit contracts. Because cash flows of the GMIB liabilities and assets are affected by equity markets and interest rates but are without significant life insurance risk and are settled in lump sum payments, the Company reports these liabilities and assets as derivatives at fair value. The Company estimates the fair value of the assets and liabilities for GMIB contracts using assumptions regarding capital markets (including market returns, interest rates and market volatilities of the underlying equity and bond mutual fund investments), future annuitant behavior (including mortality, lapse, and annuity election rates), and non-performance risk, as well as risk and profit charges. As certain assumptions (primarily related to future annuitant behavior) used to estimate fair values for these contracts are largely unobservable, the Company classifies GMIB assets and liabilities in Level 3. The Company considered the following in determining the view of a hypothetical market participant:

- that the most likely transfer of these assets and liabilities would be through a reinsurance transaction with an independent insurer having a market capitalization and credit rating similar to that of the Company; and
- that because this block of contracts is in run-off mode, an insurer looking to acquire these contracts would have similar existing contracts with related administrative and risk management capabilities.

These GMIB assets and liabilities are estimated with a complex internal model using many scenarios to determine the present value of net amounts expected to be paid, less the present value of net future premiums expected to be received adjusted for risk and profit charges that the Company estimates a hypothetical market participant would require to assume this business. Net amounts expected to be paid include the excess of the expected value of the income benefits over the values of the annuitants' accounts at the time of annuitization. Generally, market return, interest rate and volatility assumptions are based on market observable information. Assumptions related to annuitant behavior reflect the Company's belief that a hypothetical market participant would consider the actual and expected experience of the Company as well as other relevant and available industry resources in setting policyholder behavior assumptions. The significant assumptions used to value the GMIB assets and liabilities as of March 31, 2010 were as follows:

- The market return and discount rate assumptions are based on the market-observable LIBOR swap curve.
- The projected interest rate used to calculate the reinsured income benefits is indexed to the 7-year Treasury Rate at the time of annuitization (claim interest rate) based on contractual terms. That rate was 3.28% at March 31, 2010 and must be projected for future time periods. These projected rates vary by economic scenario and are determined by an interest rate model using current interest rate curves and the prices of instruments available in the market including various interest rate caps and zero-coupon bonds. For a subset of the business, there is a contractually guaranteed floor of 3% for the claim interest rate.
- The market volatility assumptions for annuitants' underlying mutual fund investments that are modeled based on the S&P 500, Russell 2000 and NASDAQ Composite are based on the market-implied volatility for these indices for three to seven years grading to historical volatility levels thereafter. For the remaining 55% of underlying mutual fund investments modeled based on other indices (with insufficient market-observable data), volatility is based on the average historical level for each index over the past 10 years. Using this approach, volatility ranges from 17% to 31% for equity funds, 4% to 12% for bond funds and 1% to 2% for money market funds.
- The mortality assumption is 70% of the 1994 Group Annuity Mortality table, with 1% annual improvement beginning January 1, 2000.
- The annual lapse rate assumption reflects experience that differs by the company issuing the underlying variable annuity contracts, ranges from 2% to 17% and depends on the time since contract issue and the relative value of the guarantee.
- The annual annuity election rate assumption reflects experience that differs by the company issuing the underlying variable annuity contracts and depends on the annuitant's age, the relative value of the guarantee and whether a contractholder has had a previous opportunity to elect the benefit. Immediately after the expiration of the waiting period, the assumed probability that an individual will annuitize their variable annuity contract is up to 80%. For the second and subsequent annual opportunities to elect the benefit, the assumed probability of election is up to 30%. Actual data is still emerging for the Company as well as the industry and the estimates are based on this limited data.
- The nonperformance risk adjustment is incorporated by adding an additional spread to the discount rate in the calculation of both (1) the GMIB liability to reflect a hypothetical market participant's view of the risk of the Company not fulfilling its GMIB obligations, and (2) the GMIB asset to reflect a hypothetical market participant's view of the reinsurers' credit risk, after considering collateral. The estimated market-implied spread is company-specific for each party involved to the extent that company-specific market data is available and is based on industry averages for similarly rated companies when company-specific data is not available. The spread is impacted by the credit default swap spreads of the specific parent companies, adjusted to reflect subsidiaries' credit ratings relative to their parent company. The additional spread over LIBOR incorporated into the discount rate ranged from 20 to 115 basis points for the GMIB liability and from 0 to 60 basis points for the GMIB reinsurance asset for that portion of the interest rate curve most relevant to these policies.
- The risk and profit charge assumption is based on the Company's estimate of the capital and return on capital that would be required by a hypothetical market participant.

The Company regularly evaluates each of the assumptions used in establishing these assets and liabilities by considering how a hypothetical market participant would set assumptions at each valuation date. Capital markets assumptions are expected to change at each valuation date reflecting current observable market conditions. Other assumptions may also change based on a hypothetical market participant's view of actual experience as it emerges over time or other factors that impact the net liability. If the emergence of future experience or future assumptions differs from the assumptions used in estimating these assets and liabilities, the resulting impact could be material to the Company's consolidated results of operations, and in certain situations, could be material to the Company's financial condition.

GMIB liabilities are reported in the Company's Consolidated Balance Sheets in Accounts payable, accrued expenses and other liabilities. GMIB assets associated with these contracts represent net receivables in connection with reinsurance that the Company has purchased from two external reinsurers and are reported in the Company's Consolidated Balance Sheets in Other assets, including other intangibles. The current S&P financial strength rating of one reinsurer is AA-. The receivable from the second reinsurer is fully collateralized by assets held in a trust.

Changes in Level 3 Financial Assets and Financial Liabilities Carried at Fair Value

The following tables summarize the changes in financial assets and financial liabilities classified in Level 3 for the three months ended March 31, 2010 and 2009. These tables exclude separate account assets as changes in fair values of these assets accrue directly to policyholders. Gains and losses reported in these tables may include changes in fair value that are attributable to both observable and unobservable inputs.

For the Three Months Ended March 31, 2010 *(In millions)*	**Fixed Maturities & Equity Securities**	**GMIB Assets**	**GMIB Liabilities**	**GMIB Net**
Balance at January 1, 2010	**$ 845**	**$ 482**	**$ (903)**	**$ (421)**
Gains (losses) included in shareholders' net income:				
GMIB fair value gain/(loss)	**—**	**—**	**4**	**4**
Other	**4**	**—**	**—**	**—**
Total gains (losses) included in shareholders' net income	**4**	**—**	**4**	**4**
Gains included in other comprehensive income	**12**	**—**	**—**	**—**
Gains required to adjust future policy benefits for settlement annuities (1)	**18**	**—**	**—**	**—**
Purchases, issuances, settlements	**(11)**	**(3)**	**13**	**10**
Transfers into/(out of) Level 3:				
Transfers into Level 3	**54**	**—**	**—**	**—**
Transfers out of Level 3	**(38)**	**—**	**—**	**—**
Total transfers into/(out of) Level 3	**16**	**—**	**—**	**—**
Balance at March 31, 2010	**$ 884**	**$ 479**	**$ (886)**	**$ (407)**
Total gains (losses) included in income attributable to instruments held at the reporting date	**$ 4**	**$ —**	**$ 4**	**$ 4**

(1) Amounts do not accrue to shareholders.

For the Three Months Ended March 31, 2009 *(In millions)*	**Fixed Maturities & Equity Securities**	**GMIB Assets**	**GMIB Liabilities**	**GMIB Net**
Balance at January 1, 2009	$ 889	$ 953	$ (1,757)	$ (804)
Gains (losses) included in shareholders' net income:				
GMIB fair value gain/(loss)	—	(38)	70	32
Other	(4)	—	—	—
Total gains (losses) included in shareholders' net income	(4)	(38)	70	32
Losses included in other comprehensive income	(19)	—	—	—
Losses required to adjust future policy benefits for settlement annuities (1)	(76)	—	—	—
Purchases, sales, settlements	(3)	(7)	46	39
Transfers into/(out of) Level 3:				
Transfers into Level 3	155	—	—	—
Transfers out of Level 3	(32)	—	—	—
Total transfers into/(out of) Level 3	123	—	—	—
Balance at March 31, 2009	$ 910	$ 908	$ (1,641)	$ (733)
Total gains (losses) included in income attributable to instruments held at the reporting date	$ (4)	$ (38)	$ 70	$ 32

(1) Amounts do not accrue to shareholders.

As noted in the tables above, total gains and losses included in net income are reflected in the following captions in the Consolidated Statements of Income:

- Realized investment gains (losses) and net investment income for amounts related to fixed maturities and equity securities; and

- GMIB fair value (gain) loss for amounts related to GMIB assets and liabilities.

Reclassifications impacting Level 3 financial instruments are reported as transfers into or out of the Level 3 category as of the beginning of the quarter in which the transfer occurs. Therefore gains and losses in income only reflect activity for the period the instrument was classified in Level 3.

Transfers into or out of the Level 3 category occur when unobservable inputs, such as the Company’s best estimate of what a market participant would use to determine a current transaction price, become more or less significant to the fair value measurement. For the three months ended March 31, 2009, transfers into Level 3 from Level 2 primarily reflect an increase in the unobservable inputs used to value certain private corporate bonds, principally related to credit risk of the issuers.

The Company provided reinsurance for other insurance companies that offer a guaranteed minimum income benefit, and then retroceded a portion of the risk to other insurance companies. These arrangements with third-party insurers are the instruments still held at the reporting date for GMIB assets and liabilities in the table above. Because these reinsurance arrangements remain in effect at the reporting date, the Company has reflected the total gain or loss for the period as the total gain or loss included in income attributable to instruments still held at the reporting date. However, the Company reduces the GMIB assets and liabilities resulting from these reinsurance arrangements when annuitants lapse, die, elect their benefit, or reach the age after which the right to elect their benefit expires.

Under FASB’s guidance for fair value measurements, the Company’s GMIB assets and liabilities are expected to be volatile in future periods because the underlying capital markets assumptions will be based largely on market-observable inputs at the close of each reporting period including interest rates and market-implied volatilities.

The net GMIB fair value gain was $4 million for the three months ended March 31, 2010, and due primarily to favorable equity market returns, offset by declining interest rates.

The net GMIB fair value gain was $32 million for the three months ended March 31, 2009. The gain was due primarily to increases in interest rates since December 31, 2008 partially offset by declines in equity markets and bond fund returns and updates to the lapse assumption.

Separate account assets

Fair values and changes in the fair values of separate account assets generally accrue directly to the policyholders and are excluded from the Company's revenues and expenses. As of March 31, 2010 and December 31, 2009 separate account assets were as follows:

March 31, 2010 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Guaranteed separate accounts (See Note 17)	**$ 276**	**$ 1,462**	**$ —**	**$1,738**
Non-guaranteed separate accounts [(1)]	**1,957**	**3,252**	**544**	**5,753**
Total separate account assets	**$ 2,233**	**$ 4,714**	**$ 544**	**$7,491**

(1) Non-guaranteed separate accounts include $2.6 billion in assets supporting the Company's pension plans, including $524 million classified in Level 3.

December 31, 2009 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Guaranteed separate accounts (See Note 17)	$ 275	$ 1,480	$ —	$1,755
Non-guaranteed separate accounts [(1)]	1,883	3,100	550	5,533
Total separate account assets	$ 2,158	$ 4,580	$ 550	$7,288

(1) Non-guaranteed separate accounts include $2.6 billion in assets supporting the Company's pension plans, including $517 million classified in Level 3.

Separate account assets in Level 1 include exchange-listed equity securities. Level 2 assets primarily include:

- equity securities and corporate and structured bonds valued using recent trades of similar securities or pricing models that discount future cash flows at estimated market interest rates as described above; and
- actively-traded institutional and retail mutual fund investments and separate accounts priced using the daily net asset value which is their exit price.

Separate account assets classified in Level 3 include investments primarily in securities partnerships and real estate generally valued based on the separate account's ownership share of the equity of the investee including changes in the fair values of its underlying investments. In addition, certain fixed income funds priced using the net asset values are classified in Level 3 due to restrictions on their withdrawal.

The following table summarizes the changes in separate account assets reported in Level 3 for the three months ended March 31, 2010 and 2009.

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Balance at January 1	**$ 550**	$ 475
Policyholder gains (losses) [(1)]	**16**	(46)
Purchases, issuances, settlements	**(3)**	8
Transfers into/(out of) Level 3:		
Transfers into Level 3	**—**	174
Transfers out of Level 3	**(19)**	(14)
Net transfers into/(out of) Level 3	**(19)**	160
Balance at March 31	**$ 544**	$ 597

(1) Includes losses of $15 million and losses of $46 million attributable to instruments still held at March 31, 2010 and March 31, 2009 respectively.

For the three months ended March 31, 2009, transfers into Level 3 primarily represented fixed income funds that are priced using the net asset value where restrictions were placed on withdrawal.

Assets and Liabilities Measured at Fair Value under Certain Conditions

Some financial assets and liabilities are not carried at fair value each reporting period, but may be measured using fair value only under certain conditions, such as investments in real estate entities and commercial mortgage loans when they become impaired. During the three months ended March 31, 2010, impaired real estate entities carried at cost of $35 million were written down to their fair values of $21 million, resulting in pre-tax realized investment losses of $14 million. Also during the three months ended March 31, 2010, impaired commercial mortgage loans with carrying values of $64 million were written down to their fair values of $53 million, resulting in pre-tax realized investment losses of $11 million. During 2009, impaired commercial mortgage loans with carrying values of $143 million were written down to their fair values of $126 million, resulting in pre-tax realized investment losses of $17 million. Also, during 2009, impaired real estate entities with carrying values of $48 million were written down to their fair values of $12 million, resulting in realized investment losses of $26 million. These fair values were calculated by discounting the expected future cash flows at estimated market interest rates. Such market rates were derived by calculating the appropriate spread over comparable U.S. Treasury rates, based on the characteristics of the underlying collateral including; the type, quality and location of the assets. The fair value measurements were classified in Level 3 because these cash flow models incorporate significant unobservable inputs.

Fair Value Disclosures for Financial Instruments Not Carried at Fair Value

Most financial instruments that are subject to fair value disclosure requirements are carried in the Company's consolidated financial statements at amounts that approximate fair value. The following table provides the fair values and carrying values of the Company's financial instruments not recorded at fair value that are subject to fair value disclosure requirements at March 31, 2010 and December 31, 2009:

	March 31, 2010		December 31, 2009	
(In millions)	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Commercial mortgage loans	**$ 3,407**	**$ 3,493**	$ 3,323	$ 3,522
Contractholder deposit funds, excluding universal life products	**$ 997**	**$ 992**	$ 940	$ 941
Long-term debt, including current maturities, excluding capital leases	**$ 2,578**	**$ 2,427**	$ 2,418	$ 2,427

The fair values presented in the table above have been estimated using market information when available. The following is a description of the valuation methodologies and inputs used by the Company to determine fair value.

Commercial mortgage loans. The Company estimates the fair value of commercial mortgage loans generally by discounting the contractual cash flows at estimated market interest rates that reflect the Company's assessment of the credit quality of the loans. Market interest rates are derived by calculating the appropriate spread over comparable U.S. Treasury rates, based on the property type, quality rating and average life of the loan. The quality ratings reflect the relative risk of the loan, considering debt service coverage, the loan-to-value ratio and other factors. Fair values of impaired mortgage loans are based on the estimated fair value of the underlying collateral generally determined using an internal discounted cash flow model.

Contractholder deposit funds, excluding universal life products. Generally, these funds do not have stated maturities. Approximately 45% of these balances can be withdrawn by the customer at any time without prior notice or penalty. The fair value for these contracts is the amount estimated to be payable to the customer as of the reporting date, which is generally the carrying value. Most of the remaining contractholder deposit funds are reinsured by the buyers of the individual life and annuity and retirement benefits businesses. The fair value for these contracts is determined using the fair value of these buyers' assets supporting these reinsured contracts. The Company had a reinsurance recoverable equal to the carrying value of these reinsured contracts.

Long-term debt, including current maturities, excluding capital leases. The fair value of long-term debt is based on quoted market prices for recent trades. When quoted market prices are not available, fair value is estimated using a discounted cash flow analysis and the Company's estimated current borrowing rate for debt of similar terms and remaining maturities.

Fair values of off-balance-sheet financial instruments were not material.

Note 8 — Investments

Total Realized Investment Gains and Losses

The following total realized gains and losses on investments include other-than-temporary impairments on debt securities but exclude amounts required to adjust future policy benefits for the run-off settlement annuity business:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Fixed maturities	**$ 15**	$ (16)
Equity securities	**4**	(17)
Commercial mortgage loans	**(11)**	(1)
Other investments, including derivatives	**(14)**	(2)
Realized investment losses, before income taxes	**(6)**	(36)
Less income tax benefits	**(3)**	(12)
Net realized investment losses	**$ (3)**	$ (24)

Included in pre-tax realized investment gains (losses) above were other-than-temporary impairments on debt securities, asset write-downs and changes in valuation reserves as follows:

(In millions)	Three Months Ended March 31, 2010	2009
Credit-related (1)	**$ 25**	$ 11
Other (2)	**1**	10
Total (3)	**$ 26**	$ 21

(1) Credit-related losses include other-than-temporary declines in value of fixed maturities and equity securities, and impairments of commercial mortgage loans and real estate entities. The amount related to credit losses on fixed maturities for which a portion of the impairment was recognized in other comprehensive income was not significant.

(2) Prior to adoption of GAAP guidance for other-than-temporary impairments on April 1, 2009, other primarily represented the impact of rising market yields on investments where the Company could not demonstrate the intent and ability to hold until recovery.

(3) Includes other-than-temporary impairments on debt securities of $1 million in the first quarter of 2010 and $17 million in the first quarter of 2009. These impairments are included in the other category in 2010 and in both the credit-related and other categories for 2009.

Fixed Maturities and Equity Securities

Securities in the following table are included in fixed maturities and equity securities on the Company's Consolidated Balance Sheets. These securities are carried at fair value with changes in fair value reported in other realized investment gains and interest and dividends reported in net investment income. The Company's hybrid investments include preferred stock or debt securities with call or conversion features.

(In millions)	As of March 31, 2010	As of December 31, 2009
Included in fixed maturities:		
Trading securities (amortized cost: $8; $8)	**$ 8**	$ 8
Hybrid securities (amortized cost: $36; $37)	**42**	43
Total	**$ 50**	$ 51
Included in equity securities:		
Hybrid securities (amortized cost: $109; $109)	**$ 86**	$ 81

Fixed maturities and equity securities included $163 million at March 31, 2010, which were pledged as collateral to brokers as required under certain futures contracts. These fixed maturities and equity securities were primarily corporate securities.

The following information about fixed maturities excludes trading and hybrid securities. The amortized cost and fair value by contractual maturity periods for fixed maturities were as follows at March 31, 2010:

(In millions)	Amortized Cost	Fair Value
Due in one year or less	$ 742	$ 761
Due after one year through five years	4,004	4,266
Due after five years through ten years	4,928	5,268
Due after ten years	2,601	2,922
Mortgage and other asset-backed securities	639	710
Total	$ 12,914	$ 13,927

Actual maturities could differ from contractual maturities because issuers may have the right to call or prepay obligations, with or without penalties. Also, in some cases the Company may extend maturity dates.

Mortgage-backed assets consist principally of commercial mortgage-backed securities and collateralized mortgage obligations of which $33 million were residential mortgages and home equity lines of credit, all of which were originated using standard underwriting practices and are not considered sub-prime loans.

Gross unrealized appreciation (depreciation) on fixed maturities (excluding trading securities and hybrid securities) by type of issuer is shown below.

	March 31, 2010			
(In millions)	**Amortized Cost**	**Unrealized Appre-ciation**	**Unrealized Depre-ciation**	**Fair Value**
Federal government and agency	**$ 392**	**$ 174**	**$ (1)**	**$ 565**
State and local government	**2,350**	**182**	**(9)**	**2,523**
Foreign government	**1,122**	**52**	**(5)**	**1,169**
Corporate	**8,411**	**606**	**(57)**	**8,960**
Federal agency mortgage-backed	**29**	**1**	**—**	**30**
Other mortgage-backed	**120**	**8**	**(7)**	**121**
Other asset-backed	**490**	**74**	**(5)**	**559**
Total	**$ 12,914**	**$ 1,097**	**$ (84)**	**$ 13,927**
(In millions)	December 31, 2009			
Federal government and agency	$ 398	$ 174	$ (1)	$ 571
State and local government	2,341	188	(8)	2,521
Foreign government	1,040	38	(8)	1,070
Corporate	8,104	529	(98)	8,535
Federal agency mortgage-backed	33	1	—	34
Other mortgage-backed	125	5	(10)	120
Other asset-backed	494	55	(8)	541
Total	$ 12,535	$ 990	$ (133)	$ 13,392

The above table includes investments with a fair value of $2.3 billion supporting the Company's run-off settlement annuity business, with gross unrealized appreciation of $354 million and gross unrealized depreciation of $34 million at March 31, 2010. Such unrealized amounts are required to support future policy benefit liabilities of this business and, as such, are not included in accumulated other comprehensive income. At December 31, 2009, investments supporting this business had a fair value of $2.3 billion, gross unrealized appreciation of $326 million and gross unrealized depreciation of $52 million.

Sales information for available-for-sale fixed maturities and equity securities were as follows:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Proceeds from sales	**$ 240**	$ 119
Gross gains on sales	**$ 15**	$ 3
Gross losses on sales	**$ (1)**	$ (3)

Review of declines in fair value. Management reviews fixed maturities with a decline in fair value from cost for impairment based on criteria that include:

- length of time and severity of decline;
- financial health and specific near term prospects of the issuer;
- changes in the regulatory, economic or general market environment of the issuer's industry or geographic region; and
- the Company's intent to sell or the likelihood of a required sale prior to recovery.

Excluding trading and hybrid securities, as of March 31, 2010, fixed maturities with a decline in fair value from amortized cost (which were primarily investment grade corporate bonds) were as follows, including the length of time of such decline:

(In millions)	Fair Value	Amortized Cost	Unrealized Depreciation	Number of Issues
Fixed maturities:				
One year or less:				
Investment grade	$ 838	$ 856	$ (18)	222
Below investment grade	$ 89	$ 92	$ (3)	49
More than one year:				
Investment grade	$ 605	$ 661	$ (56)	109
Below investment grade	$ 43	$ 50	$ (7)	16

The unrealized depreciation of investment grade fixed maturities is primarily due to increases in market yields since purchase. Approximately $22 million of the unrealized depreciation is due to securities with a decline in value of greater than 20%. The remaining $62 million of the unrealized depreciation is due to securities with declines in value of less than 20%. There were no equity securities with a fair value significantly lower than cost as of March 31, 2010.

Short-term investments and cash equivalents. Short-term investments and cash equivalents includes corporate securities of $921 million, federal government securities of $171 million and money market funds of $75 million at March 31, 2010. The Company's short-term investments and cash equivalents at December 31, 2009 included corporate securities of $624 million, federal government securities of $402 million and money market funds of $104 million.

Note 9 — Derivative Financial Instruments

The Company's investment strategy is to manage the characteristics of investment assets (such as duration, yield, currency and liquidity) to meet the varying demands of the related insurance and contractholder liabilities (such as paying claims, investment returns and withdrawals). As part of this investment strategy, the Company typically uses derivatives to minimize interest rate, foreign currency and equity price risks. The Company routinely monitors exposure to credit risk associated with derivatives and diversifies the portfolio among approved dealers of high credit quality to minimize credit risk. From time to time, the Company has used derivatives to enhance investment returns. In addition, the Company has written or sold contracts to guarantee minimum income benefits.

The Company uses hedge accounting when derivatives are designated, qualified and highly effective as hedges. Effectiveness is formally assessed and documented at inception and each period throughout the life of a hedge using various quantitative methods appropriate for each hedge, including regression analysis and dollar offset. Under hedge accounting, the changes in fair value of the derivative and the hedged risk are generally recognized together and offset each other when reported in shareholders' net income.

The Company accounts for derivative instruments as follows:

- Derivatives are reported on the balance sheet at fair value with changes in fair values reported in net income or accumulated other comprehensive income.
- Changes in the fair value of derivatives that hedge market risk related to future cash flows – and that qualify for hedge accounting – are reported in a separate caption in accumulated other comprehensive income. These hedges are referred to as cash flow hedges.
- A change in the fair value of a derivative instrument may not always equal the change in the fair value of the hedged item; this difference is referred to as hedge ineffectiveness. Where hedge accounting is used, the Company reflects hedge ineffectiveness in net income (generally as part of realized investment gains and losses).

Certain subsidiaries of the Company are parties to over-the-counter derivative instruments that contain provisions requiring both parties to such instruments to post collateral depending on net liability thresholds and the party's financial strength or credit rating. The collateral posting requirements vary by counterparty. The aggregate fair value of derivative instruments with such credit-risk-related contingent features where a subsidiary of the Company was in a net liability position as of March 31, 2010 was $25 million for which the Company was not required to post collateral with its counterparties. If the various contingent features underlying the agreements were triggered as of March 31, 2010, the Company would be required to post collateral equal to the total net liability. Such subsidiaries are parties to certain other derivative instruments that contain termination provisions for which the counterparties could demand immediate payment of the total net liability position if the financial strength rating of the subsidiary were to decline below specified levels. As of March 31, 2010, there was no net liability position under such derivative instruments.

The tables below present information about the nature and accounting treatment of the Company's primary derivative financial instruments including the Company's purpose for entering into specific derivative transactions, and their locations in and effect on the financial statements as of and for the three months ended March 31, 2010. Derivatives in the Company's separate accounts are excluded from the tables because associated gains and losses generally accrue directly to policyholders.

Instrument / Volume of Activity	Primary Risk	Purpose	Cash Flows	Accounting Policy
Derivatives Designated as Accounting Hedges — Cash Flow Hedges				
Interest rate swaps — $159 million of par value of related investments **Foreign currency swaps — $179 million of U.S. dollar equivalent par value of related investments** **Combination swaps (interest rate and foreign currency) — $54 million of U.S. dollar equivalent par value of related investments**	Interest rate and foreign currency	To hedge the interest and/or foreign currency cash flows of fixed maturities and commercial mortgage loans to match associated liabilities. Currency swaps are primarily euros, Australian dollars, Canadian dollars and British pounds for periods of up to 11 years.	The Company periodically exchanges cash flows between variable and fixed interest rates and/or between two currencies for both principal and interest. Net interest cash flows are reported in net investment income and included in operating activities.	Using cash flow hedge accounting, fair values are reported in other long-term investments or other liabilities and accumulated other comprehensive income and amortized into net investment income or reported in other realized investment gains and losses as interest or principal payments are received.

Fair Value Effect on the Financial Statements (In millions)

	Other Long-Term Investments		Accounts Payable, Accrued Expenses and Other Liabilities		Gain (Loss) Recognized in Other Comprehensive Income	
					Three Months Ended March 31,	
Instrument	**As of March 31, 2010**	As of December 31, 2009	**As of March 31, 2010**	As of December 31, 2009	**2010**	2009
Interest rate swaps	**$ 9**	$ 8	**$ —**	$ —	**$ 1**	$ (1)
Foreign currency swaps	**5**	4	**21**	24	**4**	2
Interest rate and foreign currency swaps	**—**	—	**6**	6	**—**	2
Total	**$ 14**	$ 12	**$ 27**	$ 30	**$ 5**	$ 3

Purchased options — $315 million of cash surrender value of related life insurance policies	Interest rate	To hedge the possibility of early policyholder cash surrender when the amortized cost of underlying invested assets is greater than their fair values.	The Company pays a fee and may receive or pay cash, based on the difference between the amortized cost and fair values of underlying invested assets at the time of policyholder surrender. These cash flows will be reported in financing activities.	Using cash flow hedge accounting, fair values are reported in other assets or other liabilities, with changes in fair value reported in accumulated other comprehensive income and amortized to other benefit expenses over the life of the underlying invested assets.

Fair Value Effect on the Financial Statements

For the periods ended March 31, 2010 and March 31, 2009, fair values reported in other assets and other comprehensive income were not significant.

Treasury lock	Interest rate	To hedge the variability of and fix at inception date, the benchmark Treasury rate component of future interest payments on debt to be issued.	The Company paid the fair value of the contract at the expiration. Cash flows were reported in operating activities.	Using cash flow hedge accounting, fair values are reported in short-term investments or other liabilities, with changes in fair value reported in accumulated other comprehensive income and amortized to interest expense over the life of the debt issued.

Fair Value Effect on the Financial Statements

In the first quarter of 2009, all treasury locks matured and the Company recognized a gain of $14 million in other comprehensive income, resulting in net cumulative losses of $26 million, to be amortized to interest expense over the life of the debt. In the second quarter of 2009, the Company issued debt and began amortizing this loss to interest expense.

For the periods ended March 31, 2010 and March 31, 2009, the amount of gains (losses) reclassified from accumulated other comprehensive income into income was not significant. No gains (losses) were recognized due to ineffectiveness and no amounts were excluded from the assessment of hedge ineffectiveness.

Instrument / Volume of Activity	Primary Risk	Purpose	Cash Flows	Accounting Policy
Derivatives Not Designated As Accounting Hedges				
Futures — $985 million of U.S. dollar equivalent market price of outstanding contracts	Equity and foreign currency	To reduce domestic and international equity market exposures for certain reinsurance contracts that guarantee minimum death benefits (GMDB) resulting from changes in variable annuity account values based on underlying mutual funds. Currency futures are primarily euros, Japanese yen and British pounds.	The Company receives (pays) cash daily in the amount of the change in fair value of the futures contracts. Cash flows are included in operating activities.	Fair value changes are reported in other revenues. Amounts not yet settled from the previous day's fair value change (daily variation margin) are reported in premiums, accounts and notes receivable, net or accounts payable, accrued expenses and other liabilities.

Fair Value Effect on the Financial Statements (In millions)

	Other Revenues	
	Three Months Ended March 31,	
	2010	2009
Futures	**$ (45)**	$ 117

Instrument / Volume of Activity	Primary Risk	Purpose	Cash Flows	Accounting Policy
Interest rate swaps — $76 million of par value of related investments	Interest rate	To hedge the interest cash flows of fixed maturities to match associated liabilities.	The Company periodically exchanges cash flows between variable and fixed interest rates for both principal and interest. Net interest cash flows are reported in other realized investment gains (losses) and included in operating activities.	Fair values are reported in other long-term investments or other liabilities, with changes in fair value reported in other realized investment gains and losses.

Fair Value Effect on the Financial Statements (In millions)

	Other Long-Term Investments		Realized Investment (Losses)	
			Three Months Ended March 31,	
	As of March 31, 2010	As of December 31, 2009	**2010**	2009
Interest rate swaps	**$ 4**	$ 4	**$ —**	—

Instrument / Volume of Activity	Primary Risk	Purpose	Cash Flows	Accounting Policy
Written options (GMIB liability) — $1,165 million of maximum potential undiscounted future payments as defined in Note 17 **Purchased options (GMIB asset) — $641 million of maximum potential undiscounted future receipts as defined in Note 17**	Equity and interest rate	The Company has written reinsurance contracts with issuers of variable annuity contracts that provide annuitants with certain guarantees of minimum income benefits, resulting from the level of variable annuity account values compared with a contractually guaranteed amount. Payment by the Company depends on the actual account value in the underlying mutual funds and the level of interest rates when the contractholders elect to receive minimum income payments. The Company purchased reinsurance contracts to reduce a portion of the market risks assumed. These contracts are accounted for as written and purchased options.	The Company periodically receives (pays) fees based on either contractholders' account values or deposits increased at a contractual rate. The Company will also pay (receive) cash depending on changes in account values and interest rates when contractholders first elect to receive minimum income payments. These cash flows are reported in operating activities.	Fair values are reported in other liabilities (GMIB liability) and other assets (GMIB asset). Changes in fair value are reported in GMIB fair value (gain)/loss.

Fair Value Effect on the Financial Statements (In millions)

	Other Assets		Accounts Payable, Accrued Expenses and Other Liabilities		GMIB Fair Value (Gain)/Loss	
					Three Months Ended March 31,	
Instrument	**As of March 31, 2010**	As of December 31, 2009	**As of March 31, 2010**	As of December 31, 2009	**2010**	2009
Written options (GMIB liability)	**$ —**	$ —	**$ 886**	$ 903	**$ (4)**	$ (70)
Purchased options (GMIB asset)	**479**	482	**—**	—	**—**	38
Total	**$ 479**	$ 482	**$ 886**	$ 903	**$ (4)**	$ (32)

Note 10 — Variable Interest Entities

In the normal course of its activities, the Company is involved with special-purpose or other entities that are considered variable interest entities. When the Company becomes involved with a variable interest entity and when the nature of the Company's involvement with the entity changes, in order to determine if the Company is the primary beneficiary and must consolidate the entity, it evaluates:

- the structure and purpose of the entity;
- the risks and rewards created by and shared through the entity; and
- the entity's participants' ability to direct the activities, receive its benefits and absorb its losses. Participants include the entity's sponsors, equity holders, guarantors, creditors and servicers.

Although the Company is involved with certain variable interest entities, it determined that consolidation was not required because either:

- it has no power or shares equally in the power to direct the activities that most significantly impact the entities' economic performance; or
- the Company has no right to receive benefits nor obligation to absorb losses that could be significant to these variable interest entities.

The Company performs ongoing qualitative analyses of its involvement with these variable interest entities to determine if consolidation is required.

The following table presents information about the nature and activities of the more significant variable interest entities including carrying amounts and their locations in and effect on the Company's financial statements as of and for the three months ended March 31, 2010.

Variable Interests	Nature, Purpose and Activities	Factors Considered in Determining Consolidation Not Required	Risk Exposure and Effect on the Financial Statements
Fixed maturities — Foreign bank obligations — $410 million par value interest of total $1,131 million par value	To create a more active market for perpetual floating-rate subordinated notes issued by foreign banks, special-purpose trusts are formed to purchase these notes and sell participation interests to investors in the form of fixed-rate debt securities and equity interests. The trusts also purchase derivative contracts to exchange the floating-rate cash flows for fixed-rate and obtain guarantees from third parties to support these fixed-rate payments to its debt holders. In certain trusts, the foreign bank perpetual notes were replaced with U.S. government-sponsored bonds. The Company owns a share of the debt securities issued by the trust and receives fixed-rate cash flows for a stated period.	The third-party guarantors of the debt securities issued by the trust generally control the activities that most significantly impact the trusts' economic performance, are obligated to absorb any losses, and are the primary beneficiaries.	The Company's maximum exposure to loss is equal to the fair value of its variable interests reported on the balance sheet in fixed maturities. Unrealized changes in fair value are reported in accumulated other comprehensive income. Realized changes in fair value (impairment or sale) are reported in realized investment gains (losses), and interest earned is reported in net investment income.

Effect on the Financial Statements (In millions)

As of March 31, 2010	Three Months Ended March 31, 2010	
Fixed Maturities	Gain (Loss) Recognized in Other Comprehensive Income (1)	Income from Continuing Operations before Income Taxes (1)
$ 450	$ 2	$ 1

(1) Other comprehensive income excludes $17 million and income from continuing operations before income taxes excludes $7 million of amounts required to adjust future policy benefits for the run-off settlement annuity business.

Variable Interests	Nature, Purpose and Activities	Factors Considered in Determining Consolidation Not Required	Risk Exposure and Effect on the Financial Statements
Fixed maturities — Mortgage and other asset backed securities — $294 million par value interest of total $47,841 million par value	Special-purpose entities are created by third-party sponsors to increase the availability of financing for commercial or residential mortgages or other assets and provide investors with diversified exposure to these assets. The entities purchase mortgage loans or other assets, assemble pools of these assets and sell senior or subordinated securities to investors based on their risk tolerance. The securities represent a right to a share of the cash flows from the underlying assets in the pool. Typically, the most subordinate holder bears the first risk of loss and potential for higher returns. The Company owns a minority share of senior securities and receives fixed-rate cash flows.	Third-party sponsors generally control the activities that most significantly impact the entities' economic performance, bear the first risk of loss and receive any residual returns, and are primary beneficiaries. In certain circumstances (such as when unexpected losses occur), the sponsor may lose the power to direct the entity's activities and control would rest with the next most subordinate investor.	The Company's maximum exposure to loss is equal to the fair value of its variable interests reported on the balance sheet in fixed maturities. Unrealized changes in fair value are reported in accumulated other comprehensive income. Realized changes in fair value (impairment or sale) are reported in realized investment gains (losses), and interest earned is reported in net investment income.

Effect on the Financial Statements (in millions)

As of March 31, 2010	Three Months Ended March 31, 2010	
Fixed Maturities	**Gain (Loss) Recognized in Other Comprehensive Income**	**Income from Continuing Operations before Income Taxes**
$ 261	$ 9	$ 4

Variable Interests	Nature, Purpose and Activities	Factors Considered in Determining Consolidation Not Required	Risk Exposure and Effect on the Financial Statements
Equity securities and fixed maturities — Other — $59 million par value interest of total $6,795 million par value	Special-purpose trust entities are created by banks to gain access to capital markets, maintain required regulatory capital and receive tax deductions for interest paid on debt obligations. These entities purchase subordinated notes issued and guaranteed by the sponsoring banks and sell debt or equity securities. Equity interests in these entities are held by their sponsoring banks. The Company owns a minority share of these debt and equity securities and receives fixed cash flows.	The banks that create these trusts control the activities that most significantly impact their economic performance, are obligated to absorb any losses and are the primary beneficiaries.	The Company's maximum exposure to loss is equal to the fair value of its variable interests reported on the balance sheet in equity securities and fixed maturities. Realized changes in fair value (impairment or sale) are reported in realized investment gains (losses), and interest earned is reported in net investment income.

Effect on the Financial Statements (in millions)

As of March 31, 2010	Three Months Ended March 31, 2010	
Equity Securities and Fixed Maturities	**Gain (Loss) Recognized in Other Comprehensive Income (1)**	**Income from Continuing Operations before Income Taxes (1)**
$ 52	$ —	$ 3

(1) Other comprehensive income excludes $5 million and income from continuing operations before income taxes excludes $1 million of amounts required to adjust future policy benefits for the run-off settlement annuity business.

In addition to the variable interest entities described in this table, as of March 31, 2010 the Company was also involved in:

- trusts that are variable interest entities controlled by contractual provisions and holding investments that secure certain reinsurance recoverables resulting from the sales of the retirement benefits and individual life insurance and annuity businesses (see Note 11 for further information);
- real estate joint ventures with carrying values of $17 million where all decisions significantly affecting the entities' economic performance are subject to unanimous approval by the equity holders. As a result, the Company determined that the power over these entities is shared equally, and there is no primary beneficiary. The Company's maximum exposure to loss was equal to its carrying value; and
- certain fixed maturities with an aggregate fair value of $13 million issued by entities subject to troubled debt restructurings or bankruptcy proceedings. As a result, the equity owners no longer have the power to direct the significant activities of the entities. The Company's maximum exposure to loss was equal to its fair value.

The Company does not have the power to direct these entities' activities; therefore, it was not the primary beneficiary and did not consolidated these entities.

Note 11 — Reinsurance

The Company's insurance subsidiaries enter into agreements with other insurance companies to assume and cede reinsurance. Reinsurance is ceded primarily to limit losses from large exposures and to permit recovery of a portion of direct losses. Reinsurance is also used in acquisition and disposition transactions where the underwriting company is not being acquired. Reinsurance does not relieve the originating insurer of liability. The Company regularly evaluates the financial condition of its reinsurers and monitors its concentrations of credit risk.

Retirement benefits business. The Company had a reinsurance recoverable of $1.7 billion as of March 31, 2010 and December 31, 2009 from Prudential Retirement Insurance and Annuity Company resulting from the sale of the retirement benefits business, which was primarily in the form of a reinsurance arrangement. The reinsurance recoverable, which is reduced as the Company's reinsured liabilities are paid or directly assumed by the reinsurer, is secured primarily by fixed maturities whose book value is equal to or greater than 100% of the reinsured liabilities. These fixed maturities are held in a trust established for the benefit of the Company. As of March 31, 2010, the book value of the trust assets exceeded the recoverable and S&P had assigned this reinsurer a rating of AA-.

Individual life and annuity reinsurance. The Company had reinsurance recoverables of $4.4 billion as of March 31, 2010 and December 31, 2009 from The Lincoln National Life Insurance Company and Lincoln Life & Annuity of New York resulting from the 1998 sale of the Company's individual life insurance and annuity business through indemnity reinsurance arrangements. At March 31, 2010, the $4 billion reinsurance recoverable from The Lincoln National Life Insurance Company was secured by assets held in a trust established for the benefit of the Company, and was less than the market value of the trust assets. The remaining recoverable from Lincoln Life & Annuity of New York of $414 million is currently unsecured, however, if this reinsurer does not maintain a specified minimum credit or claims paying rating, it is required to fully secure the outstanding balance. As of March 31, 2010 S&P has assigned both The Lincoln National Life Insurance Company and Lincoln Life & Annuity of New York a rating of AA-.

Other Ceded and Assumed Reinsurance

Ceded Reinsurance: Ongoing operations. The Company's insurance subsidiaries have reinsurance recoverables from various reinsurance arrangements in the ordinary course of business for its Health Care, Disability and Life, and International segments as well as the non-leveraged and leveraged corporate-owned life insurance business. Reinsurance recoverables of $282 million as of March 31, 2010 are expected to be collected from more than 90 reinsurers which have been assigned the following financial strength ratings from S&P:

(In millions)	Reinsurance Recoverable	Percent of Total	Percent of Reinsurance Recoverable Protected by Collateral
AA- (Single reinsurer)	$ 48	17%	0%
AA- or higher (Other reinsurers)	31	11%	0%
A (Single reinsurer)	26	9%	0%
A+ to A- (Other reinsurers)	106	38%	3%
Unrated (Single reinsurer)	34	12%	100%
Below A- or unrated (Other reinsurers)	37	13%	64%
Total ongoing operations	$ 282	100%	22%

The collateral protecting the recoverables includes assets held in trust and letters of credit. The Company reviews its reinsurance arrangements and establishes reserves against the recoverables in the event that recovery is not considered probable. As of March 31, 2010, the Company's recoverables related to these segments were net of a reserve of $9 million.

Assumed and Ceded reinsurance: Run-off Reinsurance segment. The Company's Run-off Reinsurance operations assumed risks related to GMDB contracts, GMIB contracts, workers' compensation, and personal accident business. The Company's Run-off Reinsurance operations also purchased retrocessional coverage to reduce the risk of loss on these contracts.

Liabilities related to GMDB, workers' compensation and personal accident are included in future policy benefits and unpaid claims. Because the GMIB contracts are treated as derivatives under GAAP, the asset related to GMIB is recorded in the caption Other assets, including other intangibles and the liability related to GMIB is recorded in the caption Accounts payable, accrued expenses, and other liabilities on the Company's Consolidated Balance Sheets (see Notes 7 and 17 for additional discussion of the GMIB assets and liabilities).

The reinsurance recoverables for GMDB, workers' compensation, and personal accident of $109 million as of March 31, 2010 are expected to be collected from approximately 80 retrocessionaires which have been assigned the following financial strength ratings from S&P:

(In millions)	**Reinsurance Recoverable**	**Percent of Total**	**Percent of Reinsurance Recoverable Protected by Collateral**
AA- or higher	$ 32	29%	10%
A (Single reinsurer)	32	29%	100%
A- (Single reinsurer)	17	16%	80%
A+ to A- (Other reinsurers)	16	15%	5%
Below A- or unrated	12	11%	50%
Total Run-off Reinsurance segment	$ 109	100%	51%

The collateral protecting the recoverables includes letters of credit and assets held in trust. The Company reviews its reinsurance arrangements and establishes reserves against the recoverables in the event that recovery is not considered probable. As of March 31, 2010, the Company's recoverables related to this segment were net of a reserve of $6 million.

The Company's payment obligations for underlying reinsurance exposures assumed by the Company under these contracts are based on the ceding companies' claim payments. For GMDB, claim payments vary because of changes in equity markets and interest rates, as well as claim mortality and contractholder behavior. For workers' compensation and personal accident, the payments relate to accidents and injuries. Any of these claim payments can extend many years into the future, and the amount of the ceding companies' ultimate claims, and therefore the amount of the Company's ultimate payment obligations and corresponding ultimate collection from retrocessionaires, may not be known with certainty for some time.

Summary. The Company's reserves for underlying reinsurance exposures assumed by the Company, as well as for amounts recoverable from reinsurers/retrocessionaires for both ongoing operations and the run-off reinsurance operation, are considered appropriate as of March 31, 2010, based on current information. However, it is possible that future developments could have a material adverse effect on the Company's consolidated results of operations and, in certain situations, such as if actual experience differs from the assumptions used in estimating reserves for GMDB, could have a material adverse effect on the Company's financial condition. The Company bears the risk of loss if its retrocessionaires do not meet or are unable to meet their reinsurance obligations to the Company.

Effects of reinsurance. In the Company's Consolidated Statements of Income, Premiums and fees were net of ceded premiums, and Total benefits and expenses were net of reinsurance recoveries, in the following amounts:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Ceded premiums and fees		
Individual life insurance and annuity business sold	**$ 46**	$ 51
Other	**64**	60
Total	**$ 110**	$ 111
Reinsurance recoveries		
Individual life insurance and annuity business sold	**$ 67**	$ 68
Other	**44**	58
Total	**$ 111**	$ 126

Note 12 — Pension and Other Postretirement Benefit Plans

The Company and certain of its subsidiaries provide pension, health care and life insurance defined benefits to eligible retired employees, spouses and other eligible dependents through various domestic and foreign plans. The effect of its foreign pension and other postretirement benefit plans is immaterial to the Company's results of operations, liquidity and financial position. Effective July 1, 2009, the Company froze its primary domestic defined benefit pension plans.

For the three months ended March 31, 2010, the Company's postretirement benefits liability adjustment decreased by $3 million pre-tax ($8 million after-tax) resulting in an increase to shareholders' equity. The decrease in this adjustment was primarily due to amortization of actuarial losses.

Pension benefits. Components of net pension cost were as follows:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Service cost	**$ —**	$ 21
Interest cost	**59**	61
Expected long-term return on plan assets	**(63)**	(60)
Amortization of:		
Net loss from past experience	**7**	17
Prior service cost	**—**	(3)
Net pension cost	**$ 3**	$ 36

The Company funds its qualified pension plans at least at the minimum amount required by the Pension Protection Act of 2006, which requires companies to fully fund defined benefit pension plans over a seven-year period beginning in 2008. For the three months ended March 31, 2010, the Company contributed $55 million, of which $12 million was required and $43 million was voluntary. For the remainder of 2010, the Company expects to make additional required contributions of $57 million and voluntary contributions of $100 million.

Other postretirement benefits. Components of net other postretirement benefit cost were as follows:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Service cost	**$ —**	$ —
Interest cost	**5**	6
Expected long-term return on plan assets	**—**	—
Amortization of:		
Net gain from past experience	**—**	(2)
Prior service cost	**(4)**	(5)
Net other postretirement benefit cost	**$ 1**	$ (1)

Note 13 — Debt

Short-term and long-term debt were as follows:

(In millions)	**March 31, 2010**	December 31, 2009
Short-term:		
Commercial paper	**$ 100**	$ 100
Current maturities of long-term debt	**226**	4
Total short-term debt	**$ 326**	$ 104
Long-term:		
Uncollateralized debt:		
7% Notes due 2011	**$ —**	$ 222
6.375% Notes due 2011	**226**	226
5.375% Notes due 2017	**250**	250
6.35% Notes due 2018	**300**	300
8.5% Notes due 2019	**349**	349
6.37% Notes due 2021	**78**	78
7.65% Notes due 2023	**100**	100
8.3% Notes due 2023	**17**	17
7.875% Debentures due 2027	**300**	300
8.3% Step Down Notes due 2033	**83**	83
6.15% Notes due 2036	**500**	500
Other	**9**	11
Total long-term debt	**$ 2,212**	$ 2,436

In the first quarter of 2010, the 7% Notes due 2011 were reclassified into current maturities of long-term debt since they will mature in less than one year.

Note 14 — Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss excludes amounts required to adjust future policy benefits for the run-off settlement annuity business. Changes in accumulated other comprehensive loss were as follows:

(In millions) **Three Months Ended March 31,**	**Pre-Tax**	**Tax (Expense) Benefit**	**After-Tax**
2010			
Net unrealized appreciation, securities:			
Net unrealized appreciation on securities arising during the period	**$ 127**	**$ (42)**	**$ 85**
Reclassification adjustment for (gains) included in shareholders' net income	**(19)**	**6**	**(13)**
Net unrealized appreciation, securities	**$ 108**	**$ (36)**	**$ 72**
Net unrealized appreciation, derivatives	**$ 6**	**$ (2)**	**$ 4**
Net translation of foreign currencies	**$ 6**	**$ (2)**	**$ 4**
Postretirement benefits liability adjustment:			
Reclassification adjustment for amortization of net losses from past experience and prior service costs	**$ 3**	**$ 5**	**$ 8**
2009			
Net unrealized appreciation, securities:			
Net unrealized appreciation on securities arising during the period	$ 43	$ (13)	$ 30
Reclassification adjustment for losses included in shareholders' net income	33	(12)	21
Net unrealized appreciation, securities	$ 76	$ (25)	$ 51
Net unrealized appreciation, derivatives	$ 17	$ (6)	$ 11
Net translation of foreign currencies	$ (44)	$ 16	$ (28)
Postretirement benefits liability adjustment:			
Reclassification adjustment for amortization of net losses from past experience and prior service costs	$ 7	$ (3)	$ 4

Note 15 — Income Taxes

A. Income Tax Expense

The Company has historically accrued U.S. income taxes on the undistributed earnings of foreign subsidiaries. During the first quarter of 2010, the Company determined that the prospective earnings of its Hong Kong operations are to be permanently invested overseas. The Company made a similar determination as related to the prospective earnings of its South Korea operations in 2009. This permanent investment of earnings increased shareholders' net income for the three months ended March 31, 2010 by $14 million, which included $6 million (including $1 million related to realized investment gains) related to the Hong Kong implementation and $8 million attributable to recording taxes for the first quarter of 2010 at the foreign jurisdiction's tax rate. As of March 31, 2010, deferred tax liabilities not recognized as a result of the permanent investment of South Korea and Hong Kong operation earnings was $37 million.

B. Unrecognized Tax Benefits

Gross unrecognized tax benefits declined for the three months ended March 31, 2010 by $22 million which was primarily due to the reversal of previously established liabilities that were reevaluated in light of new factors and technical developments. The effect on shareholders' net income was not material.

During the first quarter of 2009, the IRS completed its examination of the Company's 2005 and 2006 consolidated federal income tax returns, resulting in an increase to shareholders' net income of $21 million ($20 million in continuing operations and $1 million in discontinued operations). This increase reflected a reduction in net unrecognized tax benefits of $8 million ($17 million reported in income tax expense, partially offset by a $9 million pre-tax charge) and a reduction of interest and penalties of $13 million (reported in income tax expense).

Over the next 12 months, the Company has determined it reasonably possible that the level of unrecognized tax benefits could increase or decrease significantly, subject to developments in certain matters in dispute with the IRS. It is also reasonably possible there could be a significant decline in the level of valuation allowances recorded against deferred tax benefits of the reinsurance operations within the next 12 months. The Company, however, is currently unable to reasonably estimate the potential impact of such changes.

C. Other Tax Matters

During the first quarter of 2009, final resolution was reached in one of the two disputed issues associated with the IRS examination of the Company's 2003 and 2004 consolidated federal income tax returns. The second of these disputed matters remains unresolved and on June 4, 2009, the Company initiated litigation of this matter by filing a petition in the United States Tax Court. Due to the nature of the litigation process, the timing of the resolution of this matter is uncertain. Though the Company expects to prevail, an unfavorable resolution of this litigation would result in a charge to shareholder's net income of up to $17 million, representing net interest expense on the cumulative incremental tax for all affected years. In addition, two issues remain unresolved from the IRS examination of the Company's 2005 and 2006 consolidated federal income tax returns. One of these unresolved issues is the same matter which remains in dispute from the prior IRS examination. The Company is attempting to resolve the other matter through the administrative appeals process, and filed a formal protest of the proposed adjustments on March 31, 2009.

The recently enacted Patient Protection & Affordable Care Act, including the Reconciliation Act of 2010, included provisions limiting the tax deductibility of certain future retiree benefit and compensation-related payments. The effect of these provisions reduced shareholders' net income for the first quarter of 2010 by $5 million. The Company will continue to evaluate the tax effect of these provisions.

Note 16 — Segment Information

The Company's operating segments generally reflect groups of related products, except for the International segment which is generally based on geography. In accordance with GAAP, operating segments that do not require separate disclosure have been combined into Other Operations. The Company measures the financial results of its segments using "segment earnings (loss)," which is defined as shareholders' income (loss) from continuing operations excluding after-tax realized investment gains and losses.

Beginning in 2010, the Company began reporting the expense associated with its frozen pension plans in Corporate. Prior periods were not restated. The effect on prior periods is not material.

Summarized segment financial information was as follows:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Premiums and fees, Mail order pharmacy revenues and Other revenues		
Health Care	**$ 3,731**	$ 3,289
Disability and Life	**690**	701
International	**534**	439
Run-off Reinsurance	**(38)**	121
Other Operations	**43**	44
Corporate	**(15)**	(14)
Total	**$ 4,945**	$ 4,580
Shareholders' income from continuing operations		
Health Care	**$ 167**	$ 155
Disability and Life	**70**	63
International	**72**	42
Run-off Reinsurance	**4**	(26)
Other Operations	**19**	19
Corporate	**(46)**	(22)
Segment Earnings	**286**	231
Realized investment losses, net of taxes	**(3)**	(24)
Shareholders' income from continuing operations	**$ 283**	$ 207

Note 17 — Contingencies and Other Matters

The Company, through its subsidiaries, is contingently liable for various financial guarantees provided in the ordinary course of business.

Financial Guarantees Primarily Associated with the Sold Retirement Benefits Business

Separate account assets are contractholder funds maintained in accounts with specific investment objectives. The Company records separate account liabilities equal to separate account assets. In certain cases, primarily associated with the sold retirement benefits business (which was sold in April 2004), the Company guarantees a minimum level of benefits for retirement and insurance contracts written in separate accounts. The Company establishes an additional liability if management believes that the Company will be required to make a payment under these guarantees.

The Company guarantees that separate account assets will be sufficient to pay certain retiree or life benefits. The sponsoring employers are primarily responsible for ensuring that assets are sufficient to pay these benefits and are required to maintain assets that exceed a certain percentage of benefit obligations. This percentage varies depending on the asset class within a sponsoring employer's portfolio (for example, a bond fund would require a lower percentage than a riskier equity fund) and thus will vary as the composition of the portfolio changes. If employers do not maintain the required levels of separate account assets, the Company or an affiliate of the buyer has the right to redirect the management of the related assets to provide for benefit payments. As of March 31, 2010, employers maintained assets that exceeded the benefit obligations. Benefit obligations under these arrangements were $1.7 billion as of March 31, 2010. Approximately 75% of these guarantees are reinsured by an affiliate of the buyer of the retirement benefits business. The remaining guarantees are provided by the Company with minimal reinsurance from third parties. There were no additional liabilities required for these guarantees as of March 31, 2010. Separate account assets supporting these guarantees are classified in Levels 1 and 2 of the GAAP fair value hierarchy. See Note 7 for further information on the fair value hierarchy.

The Company does not expect that these financial guarantees will have a material effect on the Company's consolidated results of operations, liquidity or financial condition.

Other Financial Guarantees

Guaranteed minimum income benefit contracts. The Company's reinsurance operations, which were discontinued in 2000 and are now an inactive business in run-off mode, reinsured minimum income benefits under certain variable annuity contracts issued by other insurance companies. A contractholder can elect the guaranteed minimum income benefit ("GMIB") within 30 days of any eligible policy anniversary after a specified contractual waiting period. The Company's exposure arises when the guaranteed annuitization benefit exceeds the annuitization benefit based on the policy's current account value. At the time of annuitization, the Company pays the excess (if any) of the guaranteed benefit over the benefit based on the current account value in a lump sum to the direct writing insurance company.

In periods of declining equity markets or declining interest rates, the Company's GMIB liabilities increase. Conversely, in periods of rising equity markets and rising interest rates, the Company's liabilities for these benefits decrease.

The Company estimates the fair value of the GMIB assets and liabilities using assumptions for market returns and interest rates, volatility of the underlying equity and bond mutual fund investments, mortality, lapse, annuity election rates, nonperformance risk, and risk and profit charges. See Note 7 for additional information on how fair values for these liabilities and related receivables for retrocessional coverage are determined.

The Company is required to disclose the maximum potential undiscounted future payments for GMIB contracts. Under these guarantees, the future payment amounts are dependent on equity and bond fund market and interest rate levels prior to and at the date of annuitization election, which must occur within 30 days of a policy anniversary, after the appropriate waiting period. Therefore, the future payments are not fixed and determinable under the terms of the contract. Accordingly, the Company has estimated the maximum potential undiscounted future payments using hypothetical adverse assumptions, defined as follows:

- no annuitants surrendered their accounts;
- all annuitants lived to elect their benefit;
- all annuitants elected to receive their benefit on the next available date (2010 through 2014); and
- all underlying mutual fund investment values remained at the March 31, 2010 value of $1.3 billion with no future returns.

The maximum potential undiscounted payments that the Company would make under those assumptions would aggregate $1.2 billion before reinsurance recoveries. The Company expects the amount of actual payments to be significantly less than this hypothetical undiscounted aggregate amount. The Company has retrocessional coverage in place from two external reinsurers which covers 55% of the exposures on these contracts. The Company bears the risk of loss if its retrocessionaires do not meet or are unable to meet their reinsurance obligations to the Company.

Certain other guarantees. The Company had indemnification obligations to lenders of up to $236 million as of March 31, 2010, related to borrowings by certain real estate joint ventures which the Company either records as an investment or consolidates. These borrowings, which are nonrecourse to the Company, are secured by the joint ventures' real estate properties with fair values in excess of the loan amounts and mature at various dates beginning in 2010 through 2017. The Company's indemnification obligations would require payment to lenders for any actual damages resulting from certain acts such as unauthorized ownership transfers, misappropriation of rental payments by others or environmental damages. Based on initial and ongoing reviews of property management and operations, the Company does not expect that payments will be required under these indemnification obligations. Any payments that might be required could be recovered through a refinancing or sale of the assets. In some cases, the Company also has recourse to partners for their proportionate share of amounts paid. There were no liabilities required for these indemnification obligations as of March 31, 2010.

As of March 31, 2010, the Company guaranteed that it would compensate the lessors for a shortfall of up to $44 million in the market value of certain leased equipment at the end of the lease. Guarantees of $28 million expire in 2012 and $16 million expire in 2016. The Company had liabilities for these guarantees of $8 million as of March 31, 2010.

As part of the reinsurance and administrative service arrangements acquired from Great-West Life and Annuity, Inc., the Company is responsible to pay claims for the group medical and long-term disability business of Great-West Healthcare and collect related amounts due from their third party reinsurers. Any such amounts not collected will represent additional assumed liabilities of the Company and decrease shareholders' net income if and when these amounts are determined uncollectible. At March 31, 2010, there were no receivables recorded for paid claims due from third party reinsurers for this business and unpaid claims related to this business were estimated at $22 million.

The Company had indemnification obligations as of March 31, 2010 in connection with acquisition and disposition transactions. These indemnification obligations are triggered by the breach of representations or covenants provided by the Company, such as representations for the presentation of financial statements, the filing of tax returns, compliance with law or the identification of outstanding litigation. These obligations are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential amount due is subject to contractual limitations based on a percentage of the transaction purchase price, while in other cases limitations are not specified or applicable. The Company does not believe that it is possible to determine the maximum potential amount due under these obligations, since not all amounts due under these indemnification obligations are subject to limitation. There were no liabilities required for these indemnification obligations as of March 31, 2010.

The Company contracts on an administrative services only ("ASO") basis with customers who fund their own claims. The Company charges these customers administrative fees based on the expected cost of administering their self-funded programs. In some cases, the Company provides performance guarantees associated with meeting certain service related and other performance standards. If these standards are not met, the Company may be financially at risk up to a stated percentage of the contracted fee or a stated dollar amount. The Company establishes liabilities for estimated payouts associated with these performance guarantees. Approximately 12% of reported ASO fees are at risk, with actual reimbursements of less than 1% of reported ASO fees.

The Company has agreements with certain banks that provide banking services to settle claim checks processed by the Company for ASO and certain minimum premium customers. The customers are responsible for adequately funding their accounts as claim checks are presented for payment. Under these agreements, the Company guarantees that the banks will not incur a loss if a customer fails to properly fund its account. The guarantee will fluctuate daily. As of March 31, 2010, the aggregate maximum exposure under these guarantees was approximately $700 million. Through April 29, 2010, the exposure that existed at March 31, 2010 has been reduced by approximately 85% from customers' funding of claim checks when presented for payment. In addition, the Company can limit its exposure under these guarantees by suspending claim payments for any customer who has not adequately funded their bank account.

The Company does not expect that these guarantees will have a material adverse effect on the Company's consolidated results of operations, liquidity or financial condition.

Regulatory and Industry Developments

Employee benefits regulation. The business of administering and insuring employee benefit programs, particularly health care programs, is heavily regulated by federal and state laws and administrative agencies, such as state departments of insurance and the Federal Departments of Labor and Justice, as well as the courts. Regulation, legislation and judicial decisions have resulted in changes to industry and the Company's business practices and will continue to do so in the future. In addition, the Company's subsidiaries are routinely involved with various claims, lawsuits and regulatory and IRS audits and investigations that could result in financial liability, changes in business practices, or both. Health care regulation and legislation in its various forms, including the implementation of the Patient Protection and Affordable Care Act (including the Reconciliation Act) that was signed into law during the first quarter of 2010, could have an adverse effect on the Company's health care operations if it inhibits the Company's ability to respond to market demands, adversely affects the way the Company does business, or results in increased medical or administrative costs without improving the quality of care or services.

Other possible regulatory and legislative changes or judicial decisions that could have an adverse effect on the Company's employee benefits businesses include:

- additional mandated benefits or services that increase costs;
- legislation that would grant plan participants broader rights to sue their health plans;
- changes in public policy and in the political environment, which could affect state and federal law, including legislative and regulatory proposals related to health care issues, which could increase cost and affect the market for the Company's health care products and services;
- changes in Employee Retirement Income Security Act of 1974 ("ERISA") regulations resulting in increased administrative burdens and costs;
- additional restrictions on the use of prescription drug formularies and rulings from pending purported class action litigation, which could result in adjustments to or the elimination of the average wholesale price or "AWP" of pharmaceutical products as a benchmark in establishing certain rates, charges, discounts, guarantees and fees for various prescription drugs;
- additional privacy legislation and regulations that interfere with the proper use of medical information for research, coordination of medical care and disease and disability management;
- additional variations among state laws mandating the time periods and administrative processes for payment of health care provider claims;
- legislation that would exempt independent physicians from antitrust laws; and
- changes in federal tax laws, such as amendments that could affect the taxation of employer provided benefits.

The employee benefits industry remains under scrutiny by various state and federal government agencies and could be subject to government efforts to bring criminal actions in circumstances that could previously have given rise only to civil or administrative proceedings.

Concentration of risk. For the Company's International segment, South Korea is the single largest geographic market. South Korea generated 32% of the segment's revenues and 39% of the segment's earnings for the three months ended March 31, 2010. Due to the concentration of business in South Korea, the International segment is exposed to potential losses resulting from economic and geopolitical developments in that country, as well as foreign currency movements affecting the South Korean currency, which could have a significant impact on the segment's results and the Company's consolidated financial results.

Litigation and Other Legal Matters

The Company is routinely involved in numerous claims, lawsuits, regulatory and IRS audits, investigations and other legal matters arising, for the most part, in the ordinary course of the business of administering and insuring employee benefit programs including payments to providers and benefit level disputes. Litigation of income tax matters is accounted for under FASB's accounting guidance for uncertainty in income taxes. Further information can be found in Note 15. An increasing number of claims are being made for substantial non-economic, extra-contractual or punitive damages. The outcome of litigation and other legal matters is always uncertain, and outcomes that are not justified by the evidence can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously and has recorded accruals in accordance with GAAP. Nevertheless, it is possible that resolution of one or more of the legal matters currently pending or threatened could result in losses material to the Company's consolidated results of operations, liquidity or financial condition.

Managed care litigation. On April 7, 2000, several pending actions were consolidated in the United States District Court for the Southern District of Florida in a multi-district litigation proceeding captioned *In re Managed Care Litigation* challenging, in general terms, the mechanisms used by managed care companies in connection with the delivery of or payment for health care services. The consolidated cases include *Shane v. Humana, Inc., et al.*, *Mangieri v. CIGNA Corporation*, *Kaiser and Corrigan v. CIGNA Corporation, et al.* and *Amer. Dental Ass'n v. CIGNA Corp. et al.*

In 2004, the court approved a settlement agreement between the physician class and CIGNA. However, a dispute over disallowed claims under the settlement submitted by a representative of certain class member physicians is in arbitration. Separately, in 2005, the court approved a settlement between CIGNA and a class of non-physician health care providers. Only the American Dental Association case remains unresolved. On March 2, 2009, the Court dismissed with prejudice five of the six counts of the complaint. On March 20, 2009, the Court declined to exercise supplemental jurisdiction over the remaining state law claim and dismissed the case. Plaintiffs appealed on February 26, 2010 before the United States Court of Appeals for the Eleventh Circuit. CIGNA denies the allegations and will continue to vigorously defend itself.

CIGNA has received insurance recoveries related to the *In re Managed Care Litigation*. In 2008, the Court of Common Pleas of Philadelphia County ruled that the Company is not entitled to insurance recoveries from one of the two insurers from which the Company is pursuing further recoveries. CIGNA appealed that decision and on June 3, 2009, the Superior Court of Pennsylvania reversed the trial court's decision, remanding the case to the trial court for further proceedings.

Broker compensation. Beginning in 2004, the Company, other insurance companies and certain insurance brokers received subpoenas and inquiries from various regulators, including the New York and Connecticut Attorneys General, the Florida Office of Insurance Regulation, the U.S. Attorney's Office for the Southern District of California and the U.S. Department of Labor relating to their investigations of insurance broker compensation. CIGNA cooperated with the inquiries and investigations.

On August 1, 2005, two CIGNA subsidiaries, Connecticut General Life Insurance Company and Life Insurance Company of North America, were named as defendants in a multi-district litigation proceeding, *In re Insurance Brokerage Antitrust Litigation*, consolidated in the United States District Court for the District of New Jersey. The complaint alleges that brokers and insurers conspired to hide commissions, thus increasing the cost of employee benefit plans, and seeks treble damages and injunctive relief. Numerous insurance brokers and other insurance companies are named as defendants. In 2008, the court ordered the clerk to enter judgment against plaintiffs and in favor of the defendants. Plaintiffs appealed. CIGNA denies the allegations and will continue to vigorously defend itself.

Amara cash balance pension plan litigation. On December 18, 2001, Janice Amara filed a class action lawsuit, captioned *Janice C. Amara, Gisela R. Broderick, Annette S. Glanz, individually and on behalf of all others similarly situated v. CIGNA Corporation and CIGNA Pension Plan,* in the United States District Court for the District of Connecticut against CIGNA Corporation and the CIGNA Pension Plan on behalf of herself and other similarly situated participants in the CIGNA Pension Plan affected by the 1998 conversion to a cash balance formula. The plaintiffs allege various ERISA violations including, among other things, that the Plan's cash balance formula discriminates against older employees; the conversion resulted in a wear away period (during which the pre-conversion accrued benefit exceeded the post-conversion benefit); and these conditions are not adequately disclosed in the Plan.

In 2008, the court issued a decision finding in favor of CIGNA Corporation and the CIGNA Pension Plan on the age discrimination and wear away claims. However, the court found in favor of the plaintiffs on many aspects of the disclosure claims and ordered an enhanced level of benefits from the existing cash balance formula for the majority of the class, requiring class members to receive their frozen benefits under the pre-conversion CIGNA Pension Plan and their accrued benefits under the post-conversion CIGNA Pension Plan. The court also ordered, among other things, pre-judgment and post-judgment interest. Both parties appealed the court's decisions to the United States Court of Appeals for the Second Circuit which issued a decision on October 6, 2009 affirming the District Court's judgment and order on all issues. On January 4, 2010, the Company and the plaintiffs filed separate petitions for a writ of certiorari to the United States Supreme Court, both of which are fully briefed and pending. The implementation of the judgment is currently stayed. The Company will continue to vigorously defend itself in this case. In the second quarter of 2008, the Company recorded a charge of $80 million pre-tax ($52 million after-tax), which principally reflects the Company's best estimate of the liabilities related to the court order.

Ingenix. On February 13, 2008, State of New York Attorney General Andrew M. Cuomo announced an industry-wide investigation into the use of data provided by Ingenix, Inc., a subsidiary of UnitedHealthcare, used to calculate payments for services provided by out-of-network providers. The Company received four subpoenas from the New York Attorney General's office in connection with this investigation and responded appropriately. On February 17, 2009, the Company entered into an Assurance of Discontinuance resolving the investigation. In connection with the industry-wide resolution, the Company contributed $10 million to the establishment of a new non-profit company that will compile and provide the data currently provided by Ingenix. In addition, on March 28, 2008, the Company received a voluntary request for production of documents from the Connecticut Attorney General's office seeking certain out-of-network claim payment information. The Company has responded appropriately. Since January 2009, the Company has received and responded to inquiries regarding the use of Ingenix data from the Illinois and Texas Attorneys General and the Departments of Insurance in Illinois, Florida, Vermont, Georgia, Pennsylvania, Connecticut, and Alaska.

The Company was named as a defendant in seven putative nationwide class actions asserting that due to the use of data from Ingenix, Inc., the Company improperly underpaid claims, an industry-wide issue. Two actions were brought on behalf of members, (*Franco v. CIGNA Corp. et al.,* and *Chazen v. CIGNA Corp. et al.*), and five actions were brought on behalf of providers, (*American Medical Association et al. v. CIGNA Corp. et al., Shiring et al. v. CIGNA Corp. et al*.; *Higashi et al. v. CGLIC et al.; Pain Management and Surgery Center of Southeast Indiana v. CGLIC et al.;* and *North Peninsula Surgical Center v. Connecticut General Life Insurance Co. et al.*), all of which have been consolidated into the *Franco* case pending in the United States District Court for the District of New Jersey. The consolidated amended complaint, filed on August 7, 2009, asserts claims under ERISA, the RICO statute, the Sherman Antitrust Act and New Jersey state law. CIGNA filed a motion to dismiss the consolidated amended complaint on September 9, 2009, which is now fully briefed and pending. Discovery is ongoing and class certification is scheduled to be briefed in the second quarter of 2010.

On June 9, 2009, CIGNA filed motions in the United States District Court for the Southern District of Florida to enforce the *In re Managed Care Litigation* settlement described above by enjoining the RICO and antitrust causes of action asserted by the provider and medical association plaintiffs in the *Ingenix* litigation on the ground that they arose prior to and were released in the April 2004 settlement. On November 30, 2009, the Court granted the motions and ordered the provider and association plaintiffs to withdraw their RICO and antitrust claims from the *Ingenix* litigation by December 21, 2009. The plaintiffs filed notices of appeal with the United States Court of Appeals for the Eleventh Circuit on December 10 and 11, 2009, along with motions to stay the order pending appeal. On January 12, 2010, the United States Court of Appeals for the Eleventh Circuit stayed the order pending resolution of the appeal. The appeal is fully briefed and pending.

One of the provider plaintiffs, Pain Management and Surgery Center of Southern Indiana, filed a voluntary dismissal of its claims on November 11, 2009.

It is reasonably possible that others could initiate additional litigation or additional regulatory action against the Company with respect to use of data provided by Ingenix, Inc. The Company denies the allegations asserted in the investigations and litigation and will vigorously defend itself in these matters.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

INDEX

INTRODUCTION

In this filing and in other marketplace communications, CIGNA Corporation and its subsidiaries (“the Company”) make certain forward-looking statements relating to the Company’s financial condition and results of operations, as well as to trends and assumptions that may affect the Company. Generally, forward-looking statements can be identified through the use of predictive words (e.g., “Outlook for 2010”). Actual results may differ from the Company’s predictions. Some factors that could cause results to differ are discussed throughout Management’s Discussion and Analysis (“MD&A”), including in the Cautionary Statement beginning on page 71. The forward-looking statements contained in this filing represent management’s current estimate as of the date of this filing. Management does not assume any obligation to update these estimates.

The following discussion addresses the financial condition of the Company as of March 31, 2010, compared with December 31, 2009, and its results of operations for the three months ended March 31, 2010 compared with the same period last year. This discussion should be read in conjunction with MD&A included in the Company’s 2009 Form 10-K, to which the reader is directed for additional information.

The preparation of interim consolidated financial statements necessarily relies heavily on estimates. This and certain other factors, such as the seasonal nature of portions of the health care and related benefits business as well as competitive and other market conditions, call for caution in estimating full year results based on interim results of operations.

Certain reclassifications have been made to prior period amounts to conform to the current presentation.

Overview

The Company constitutes one of the largest investor-owned health service organizations in the United States. Its subsidiaries are major providers of health care and related benefits, the majority of which are offered through the workplace. In addition, the Company has an international operation that offers supplemental health, life and accident insurance products as well as international health care products and services to businesses and individuals in selected markets. The Company also has certain inactive businesses, including a Run-off Reinsurance segment.

Ongoing Operations

The Company's ability to increase revenue, shareholders' net income and operating cash flow from ongoing operations is directly related to progress in executing on its strategic initiatives, the success of which is measured by certain key factors, including the Company's ability to:

- profitably price products and services at competitive levels that reflect emerging experience;
- maintain and grow its customer base;
- cross sell its various health and related benefit products;
- invest available cash at attractive rates of return for appropriate durations;
- reduce other operating expenses in the Health Care segment; and
- effectively deploy capital.

Strategy

As a global health service organization, CIGNA's mission remains focused on helping the people it serves improve their health, well-being and sense of security. CIGNA's long-term growth strategy is based on: (1) growth in targeted geographies, product lines, buying segments and distribution channels; (2) improving its strategic and financial flexibility; and (3) pursuing additional opportunities in high-growth markets with particular focus on individuals.

CIGNA expects to focus on the following areas it believes represent the markets or areas with the most potential for profitable growth:

- In the Health Care segment, the Company is concentrating on: (1) further enhancing its geographic focus in the middle market in order to create geographic density; (2) growing the "Select" market, which generally includes employers with more than 50 but fewer than 250 employees, by leveraging the Company's customer knowledge, differentiated service model, product portfolio and distribution model; and (3) engaging those national account employers who share and will benefit from the Company's value proposition of using health advocacy and employee engagement to increase productivity, performance and the health outcomes of their employees.
- In the Disability and Life segment, CIGNA's strategy is to grow its disability business by fully leveraging the key components of its industry-leading disability management model to reduce medical costs for its clients and return their employees to work sooner through: (1) early claim notification and outreach; (2) a full suite of clinical and return-to-work resources; and (3) specialized case management services.
- In the International segment, the Company is targeting growth through: (1) product and channel expansion in its supplemental health, life and accident insurance business in key Asian geographies; (2) the introduction of new expatriate benefits products; and (3) further geographic expansion.

The Company plans to improve its strategic and financial flexibility by driving further reductions in its Health Care operating expenses, improving its medical cost competitiveness in targeted markets and effectively managing balance sheet exposures.

Also, in connection with CIGNA's long-term business strategy, the Company remains committed to health advocacy as a means of creating sustainable solutions for employers, improving the health of the individuals that the Company serves, and lowering the costs of health care for all constituencies.

Health Care Reform

In the first quarter of 2010, the Patient Protection and Affordable Care Act, including the Reconciliation Act of 2010, (collectively, "the Act") was signed into law. The Act mandates broad changes in the delivery of health care benefits that may impact the Company's current business model, including its relationship with current and future customers, producers and health care providers, products, services, processes and technology. The Company is evaluating potential business opportunities resulting from the Act that will enable it to leverage the strengths and capabilities of its broad health and wellness portfolio. The Act includes provisions for mandatory coverage of benefits and a minimum medical loss ratio, eliminates lifetime and annual benefit limits and creates health insurance exchanges. These provisions are expected to take effect over the next several years from 2010 to 2018.

The Act will require that health services companies such as CIGNA and others in the healthcare industry help fund the additional insurance benefits and coverages provided from this legislation through the assessment of fees and excise taxes. The amount which the Company will be required to pay starting in 2014 for these fees and excise taxes will result in charges to the Company's financial statements in future periods. In addition, since these fees and excise taxes will not be tax deductible, the Company's effective tax rate is expected to increase in future periods. However, the Company is unable to estimate the amount of these fees and excise taxes or the increase in the effective tax rate because guidance for their calculation has not been finalized.

The Act also changes certain tax laws which affect the Company's 2010 financial statements. Although these provisions do not become effective until 2013, they are expected to limit the tax deductibility of certain future retiree benefit and compensation-related payments. For the three months ended March 31, 2010, the Company recorded an after-tax charge of approximately $5 million related to these changes. The Company expects to record additional after-tax charges of $5 million for the balance of the year with respect to the known effects of the tax provisions, but will continue to evaluate their impact as further guidance is made available.

Management is currently unable to estimate the ultimate impact of the Act on the Company's results of operations, financial condition and liquidity due to the uncertainties of interpretation, implementation and timing of the many provisions of the Act. Management is closely monitoring this legislation and has formed a task force to implement and report on the Company's compliance with the Act, to actively engage with regulators to assist with the conversion of legislation to regulation and to assess potential opportunities arising from the Act.

Run-off Operations

Effectively managing the various exposures of its run-off operations is important to the Company's ongoing profitability, operating cash flows and available capital. The results are influenced by a range of economic factors, especially movements in equity markets and interest rates. In order to substantially reduce the impact of equity market movements on the liability for guaranteed minimum death benefits ("GMDB", also known as "VADBe"), the Company operates an equity hedge program. The Company actively monitors the performance of the hedge program, and evaluates the cost/benefit of hedging other risks. Results are also influenced by behavioral factors, including future partial surrender election rates for GMDB contracts, annuity election rates for guaranteed minimum income benefits ("GMIB") contracts, annuitant lapse rates, as well as the collection of amounts recoverable from retrocessionaires. The Company actively studies policyholder behavior experience and adjusts future expectations based on the results of the studies, as warranted. The Company also performs regular audits of ceding companies to ensure that premiums received and claims paid properly reflect the underlying risks, and to maximize the probability of subsequent collection of claims from retrocessionaires. Finally, the Company monitors the financial strength and credit standing of its retrocessionaires and requests or collects collateral when warranted.

Summary

The Company's overall results are influenced by a range of economic and other factors, especially:

- cost trends and inflation for medical and related services;
- utilization patterns of medical and other services;
- employment levels;
- the tort liability system;
- developments in the political environment both domestically and internationally, including U.S. health care reform;
- interest rates, equity market returns, foreign currency fluctuations and credit market volatility, including the availability and cost of credit in the future; and
- federal, state and international regulation.

The Company regularly monitors the trends impacting operating results from the above mentioned key factors and economic and other factors affecting its operations. The Company develops strategic and tactical plans designed to improve performance and maximize its competitive position in the markets it serves. The Company's ability to achieve its financial objectives is dependent upon its ability to effectively execute on these plans and to appropriately respond to emerging economic and company-specific trends.

CONSOLIDATED RESULTS OF OPERATIONS

The Company measures the financial results of its segments using "segment earnings (loss)", which is defined as shareholders' income (loss) from continuing operations before after-tax realized investment results. Adjusted income from operations is defined as consolidated segment earnings (loss) excluding special items (defined below) and the results of the GMIB business. Adjusted income from operations is another measure of profitability used by the Company's management because it presents the underlying results of operations of the Company's businesses and permits analysis of trends in underlying revenue, expenses and shareholders' net income. This measure is not determined in accordance with accounting principles generally accepted in the United States ("GAAP") and should not be viewed as a substitute for the most directly comparable GAAP measure, which is shareholders' income from continuing operations.

Summarized below is a reconciliation between shareholders' income from continuing operations and adjusted income from operations.

FINANCIAL SUMMARY

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Premiums and fees	**$ 4,543**	$ 4,051
Net investment income	**266**	229
Mail order pharmacy revenues	**348**	312
Other revenues	**54**	217
Total realized investment losses	**(6)**	(36)
Total revenues	**5,205**	4,773
Benefits and expenses	**4,783**	4,500
Income from continuing operations before taxes	**422**	273
Income taxes	**138**	65
Income from continuing operations	**284**	208
Less: Net income attributable to noncontrolling interest	**1**	1
Shareholders' income from continuing operations	**283**	207
Less: realized investment losses, net of taxes	**(3)**	(24)
Segment earnings	**286**	231
Less: adjustments to reconcile to adjusted income from operations:		
Results of GMIB business (after-tax)	**5**	23
Special item (after-tax):		
Completion of IRS examination (See Note 15 to the Consolidated Financial Statements)	**—**	20
Adjusted income from operations	**$ 281**	$ 188

Summarized below is adjusted income from operations by segment:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Adjusted Income (Loss) From Operations		
Health Care	**$ 167**	$ 154
Disability and Life	**70**	58
International	**72**	41
Run-off Reinsurance	**(1)**	(49)
Other Operations	**19**	18
Corporate	**(46)**	(34)
Total	**$ 281**	$ 188

Overview of March 31, 2010 Consolidated Results of Operations

Adjusted income from operations increased significantly for the first three months of 2010 compared to the same period in 2009, primarily reflecting stronger earnings in the ongoing business segments (Health Care, Disability and Life and International) as well as improved results in the Run-off Reinsurance segment primarily due to the absence of a charge in the first quarter of 2009 related to the GMDB business.

Shareholders' income from continuing operations for the first three months of 2010 also increased significantly compared with the same period in 2009 due to higher adjusted income from operations as cited above as well as improved realized investment results. These favorable effects were partially offset by lower earnings in the GMIB business along with the absence of the 2009 benefit from the completion of an IRS examination.

Special Item and GMIB

Management does not believe that the special item noted in the table above is representative of the Company's underlying results of operations. Accordingly, the Company excluded this special item from adjusted income from operations in order to facilitate an understanding and comparison of results of operations and permit analysis of trends in underlying revenue, expenses and shareholders' income from continuing operations.

There were no special items for the first three months of 2010.

The special item for the first three months of 2009 resulted from the completion of the 2005 and 2006 IRS examinations. See Note 15 to the Consolidated Financial Statements for additional information.

The Company also excludes the results of the GMIB business from adjusted income from operations because the fair value of GMIB assets and liabilities must be recalculated each quarter using updated capital market assumptions. The resulting changes in fair value, which are reported in shareholders' net income, are volatile and unpredictable. See the Critical Accounting Estimates section of the MD&A beginning on page 55 of the Company's 2009 Form 10-K for more information on the effect of capital market assumption changes on shareholders' net income. Because of this volatility, and since the GMIB business is in run-off, management does not believe that its results are meaningful in assessing underlying results of operations.

Outlook for 2010

The Company expects 2010 adjusted income from operations to be comparable to or slightly higher than 2009. Information is not available for management to reasonably estimate the future results of the GMIB business or realized investment results due in part to interest rate and stock market volatility and other internal and external factors. This outlook includes an assumption that GMDB (also known as "VADBe") results will be approximately break-even for full-year 2010, reflecting the Company's view that the long-term reserve assumptions are appropriate and assuming that capital markets remain stable during the year. In addition, the Company is not able to identify or reasonably estimate the financial impact of special items in 2010 however they may include potential adjustments associated with cost reduction, litigation, and tax-related items.

This outlook reflects the Company's best estimate of the impacts of Health Care Reform ("the Act", see the Introduction section of this MD&A beginning on page 43) on its 2010 results of operations subject to the factors cited in the Cautionary Statement beginning on page 71 of the MD&A. If unfavorable equity market and interest rate movements occur, the Company could experience losses related to investment impairments and the GMIB and GMDB businesses. These losses could adversely impact the Company's consolidated results of operations and financial condition by potentially reducing the capital of the Company's insurance subsidiaries and reducing their dividend-paying capabilities.

Revenues

Total revenue increased by 9% for the first three months of 2010, compared with the first three months of 2009. Changes in the components of total revenue are described more fully below.

Premiums and Fees

Premiums and fees increased by 12% for the first three months of 2010, compared with the first three months of 2009, primarily reflecting membership growth in the Health Care segment's risk businesses as well as growth in the International segment. See segment reporting discussions for additional detail and drivers.

Net Investment Income

Net investment income increased by 16% for the first three months of 2010, compared with the first three months of 2009, primarily reflecting improved income on security partnerships and higher yields on investment assets.

Mail Order Pharmacy Revenues

Mail order pharmacy revenues increased by 12% for the first three months of 2010, compared with the first three months of 2009, primarily reflecting an increase in volume and price.

Other Revenues

Other revenues included the impact of the futures contracts associated with the GMDB equity hedge program. The Company reported losses of $45 million for the first three months of 2010 and gains of $117 million for the first three months of 2009 associated with the GMDB equity hedge program. The losses in 2010 reflected increases in stock market values, while the gains in 2009 primarily reflected declines in stock market values. Excluding the impact of these futures contracts, other revenues remained flat for the first three months of 2010 compared with the same period in 2009.

Realized Investment Results

Realized investment results improved for the first three months of 2010, compared with the first three months of 2009 primarily due to:

- increases in the value of hybrid securities in the first three months of 2010 compared with decreases in the same period in 2009 (changes in fair value for these securities are reported in realized investment results);
- absence of securities credit impairments in the first three months of 2010 reflecting improved market conditions; and
- gains on sales of fixed maturities in the first three months of 2010.

These improvements were partially offset by increased impairments on real estate funds and mortgage loans in 2010 due to the impact of the continued weak economic environment on the commercial real estate market.

See Note 8 to the Consolidated Financial Statements for additional information.

CRITICAL ACCOUNTING ESTIMATES

The preparation of consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures in the consolidated financial statements. Management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material effect on the Company's consolidated results of operations or financial condition.

Management has discussed the development and selection of its critical accounting estimates with the Audit Committee of the Company's Board of Directors and the Audit Committee has reviewed the disclosures presented below.

The Company's most critical accounting estimates, as well as the effects of hypothetical changes in material assumptions used to develop each estimate, are described in the Company's 2009 Form 10-K beginning on page 55 and are as follows:

- future policy benefits — guaranteed minimum death benefits;
- Health Care medical claims payable;
- accounts payable, accrued expenses and other liabilities, and other assets — guaranteed minimum income benefits;
- reinsurance recoverables for Run-off Reinsurance;
- accounts payable, accrued expenses and other liabilities — pension liabilities;
- investments — fixed maturities; and
- investments — commercial mortgage loans — valuation reserves.

The Company regularly evaluates items which may impact critical accounting estimates. As of March 31, 2010, there are no significant changes to the critical accounting estimates from what was reported in the Company's 2009 Form 10-K.

Summary

There are other accounting estimates used in the preparation of the Company's Consolidated Financial Statements, including estimates of liabilities for future policy benefits other than those identified above, as well as estimates with respect to goodwill, unpaid claims and claim expenses, post-employment and postretirement benefits other than pensions, certain compensation accruals and income taxes.

Management believes the current assumptions used to estimate amounts reflected in the Company's Consolidated Financial Statements are appropriate. However, if actual experience differs from the assumptions used in estimating amounts reflected in the Company's Consolidated Financial Statements, the resulting changes could have a material adverse effect on the Company's consolidated results of operations, and in certain situations, could have a material adverse effect on liquidity and the Company's financial condition.

SEGMENT REPORTING

Operating segments generally reflect groups of related products, but the International segment is generally based on geography. The Company measures the financial results of its segments using "segment earnings (loss)," which is defined as shareholders' income (loss) from continuing operations excluding after-tax realized investment gains and losses. "Adjusted income from operations" for each segment is defined as segment earnings excluding special items and the results of the Company's GMIB business. Adjusted income from operations is another measure of profitability used by the Company's management because it presents the underlying results of operations of the segment and permits analysis of trends. This measure is not determined in accordance with GAAP and should not be viewed as a substitute for the most directly comparable GAAP measure, which is segment earnings. Each segment provides a reconciliation between segment earnings and adjusted income from operations.

Beginning in 2010, the Company began reporting the expense associated with its frozen pension plans in Corporate. Prior periods were not restated; the effect on prior periods is not material.

Health Care Segment

Segment Description

The Health Care segment includes medical, dental, behavioral health, prescription drug and other products and services that may be integrated to provide consumers with comprehensive health care solutions. This segment also includes group disability and life insurance products that were historically sold in connection with certain experience-rated medical products. These products and services are offered through a variety of funding arrangements such as guaranteed cost, retrospectively experience-rated and administrative services only arrangements.

The Company measures the operating effectiveness of the Health Care segment using the following key factors:

- segment earnings and adjusted income from operations;
- membership growth;
- sales of specialty products to core medical customers;
- changes in operating expenses per member; and
- medical expense as a percentage of premiums (medical care ratio) in the guaranteed cost business.

Results of Operations

FINANCIAL SUMMARY

(In millions)	Three Months Ended March 31, 2010	2009
Premiums and fees	**$ 3,319**	$ 2,911
Net investment income	**54**	34
Mail order pharmacy revenues	**348**	312
Other revenues	**64**	66
Segment revenues	**3,785**	3,323
Mail order pharmacy cost of goods sold	**285**	252
Benefits and other expenses	**3,240**	2,833
Benefits and expenses	**3,525**	3,085
Income before taxes	**260**	238
Income taxes	**93**	83
Segment earnings	**167**	155
Less: special item (after-tax) included in segment earnings:		
Completion of IRS examination (See Note 15 to the Consolidated Financial Statements)	**—**	1
Adjusted income from operations	**$ 167**	$ 154
Realized investment losses, net of taxes	**$ (3)**	$ (5)

The Health Care segment's adjusted income from operations for the first three months of 2010 increased by 8%, compared with the same period in 2009 primarily due to:

- increased membership in risk businesses resulting in higher specialty penetration; and
- higher net investment income primarily reflecting higher security partnership income and yields.

These favorable effects were partially offset by:

- lower earnings on experience-rated business; and
- higher medical care ratio in the guaranteed cost business.

Revenues

The table below shows premiums and fees for the Health Care segment:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Medical:		
Guaranteed cost [1],[2]	**$ 928**	$ 857
Experience-rated[2],[3]	**483**	432
Stop loss	**321**	333
Dental	**200**	186
Medicare	**362**	138
Medicare Part D	**170**	110
Other [4]	**138**	131
Total medical	**2,602**	2,187
Life and other non-medical	**33**	50
Total premiums	**2,635**	2,237
Fees[2],[5]	**684**	674
Total premiums and fees	**$ 3,319**	$ 2,911

(1) *Includes guaranteed cost premiums primarily associated with open access, commercial HMO and voluntary/limited benefits, as well as other risk-related products.*

(2) *Premiums and/or fees associated with certain specialty products are also included.*

(3) *Includes minimum premium members who have a risk profile similar to experience-rated funding arrangements. The risk portion of minimum premium revenue is reported in experience-rated medical premium whereas the self funding portion of minimum premium revenue is recorded in fees. Also, includes certain non-participating cases for which special customer level reporting of experience is required.*

(4) *Other medical premiums include risk revenue for specialty products.*

(5) *Represents administrative service fees for medical members and related specialty product fees for non-medical members as well as fees related to Medicare Part D of $10 million for the three months ended March 31, 2010 and $8 million for the three months ended March 31, 2009.*

Premiums and fees increased by 14% for the first three months of 2010 compared with the same period of 2009 reflecting membership growth in most products, as well as rate increases partially offset by lower service membership.

Net investment income increased by 59% for the first three months of 2010 compared with the same period of 2009 reflecting higher security partnership income and higher yields.

Other revenues for the Health Care segment consist of revenues earned on direct channel sales of certain specialty products, including behavioral health and disease management.

Benefits and Expenses

Health Care segment benefits and expenses consist of the following:

(In millions)	Three Months Ended March 31, 2010	2009
Medical claims expense	**$ 2,209**	$ 1,780
Other benefit expenses	**28**	48
Mail order pharmacy cost of goods sold	**285**	252
Other operating expenses	**1,003**	1,005
Total benefits and expenses	**$ 3,525**	$ 3,085

Medical claims expense increased by 24% for the first three months of 2010 compared with the same period in 2009 largely due to higher medical membership, particularly in the Medicare Private Fee For Service ("Medicare PFFS") and commercial risk business as well as increases in medical cost inflation.

Other operating expenses for the first three months of 2010 were lower than the same period last year reflecting the impact of pension changes, lower amortization and staffing reductions, partially offset by volume driven increases, as a result of membership growth in risk products.

Other Items Affecting Health Care Results

Health Care Medical Claims Payable

Medical claims payable also increased $420 million largely driven by medical membership growth, particularly in the Medicare PFFS and commercial risk business as noted above, reflecting new business, as well as seasonality in the Stop Loss products (see Note 4 to the Consolidated Financial Statements for additional information).

Medical Membership

The Health Care segment's medical membership includes any individual for whom the Company retains medical underwriting risk, who uses the Company's network for services covered under their medical coverage or for whom the Company administers medical claims. As of March 31, estimated medical membership was as follows:

(In thousands)	2010	2009
Guaranteed cost (1)	**1,083**	1,021
Experience-rated (2)	**811**	804
Total commercial risk	**1,894**	1,825
Medicare	**145**	47
Total risk	**2,039**	1,872
Service	**9,314**	9,497
Total medical membership	**11,353**	11,369

(1) Includes members primarily associated with open access, commercial HMO and voluntary/limited benefits as well as other risk-related products.

(2) Includes minimum premium members, who have a risk profile similar to experience-rated members. Also, includes certain non-participating cases for which special customer level reporting of experience is required.

The Company's overall medical membership as of March 31, 2010 is consistent when compared with March 31, 2009, primarily driven by significant new business sales and improved persistency in the risk businesses, offset by a decline in service membership largely reflecting disenrollment after March 31, 2009.

Disability and Life Segment

Segment Description

The Disability and Life segment includes group disability, life, accident and specialty insurance and case management services for disability and workers' compensation.

Key factors for this segment are:

- premium and fee growth, including new business and customer retention;
- net investment income;
- benefits expense as a percentage of earned premium (loss ratio); and
- other operating expense as a percentage of earned premiums and fees (expense ratio).

Results of Operations

FINANCIAL SUMMARY

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Premiums and fees	**$ 661**	$ 672
Net investment income	**64**	57
Other revenues	**29**	29
Segment revenues	**754**	758
Benefits and expenses	**656**	678
Income before taxes	**98**	80
Income taxes	**28**	17
Segment earnings	**70**	63
Less: special item (after-tax) included in segment earnings:		
Completion of IRS examination (See Note 15 to the Consolidated Financial Statements)	**—**	5
Adjusted income from operations	**$ 70**	$ 58
Realized investment gains (losses), net of taxes	**$ 1**	$ (10)

The Disability and Life segment's adjusted income from operations increased 21% for the first three months of 2010 compared with the same period in 2009 reflecting:

- higher net investment income;
- favorable accident claims experience; and
- continued strong disability claims management experience.

These favorable impacts were partially offset by less favorable life claims experience. Results in 2010 include the $10 million after-tax favorable impact of reserve studies as compared with the $9 million after-tax favorable impact of reserve studies in 2009.

Revenues

Premiums and fees decreased 2% for the first three months of 2010 compared with the same period of 2009 reflecting the Company's decision to exit a large, low margin assumed government life insurance program (-$38 million) and the sale of the renewal rights to the student and participant accident business (-$5 million). Excluding the impact of those two items, premiums and fees increased 5% as a result of disability and life sales growth and continued solid persistency.

Net investment income increased 12% for the first three months of 2010 compared with the same period of 2009 due to higher security partnership income and invested assets.

Benefits and Expenses

Benefits and expenses decreased 3% for the first three months of 2010 compared with the same period of 2009, primarily as a result of the Company's exit from the government life insurance program and the sale of renewal rights to the student and participant accident business. Excluding the impact of those two items, benefits and expenses increased 3%, reflecting disability and life business growth and less favorable life claims experience partially offset by favorable accident claim experience and a lower operating expense ratio. The less favorable life claims experience was primarily driven by higher new claim counts. The favorable accident claims experience was driven by the absence of the catastrophic plane crash in the first quarter of 2009 and lower new claims. The lower operating expense ratio reflects the Company's continued focus on operating expense management partially offset by strategic investments in information technology and the claims operations. Benefits and expenses in 2010 include the $15 million before-tax favorable impact of reserve studies as compared to the $13 million favorable before-tax impact of reserve studies in 2009.

International Segment

Segment Description

The International segment includes supplemental health, life and accident insurance products and international health care products and services, including those offered to expatriate employees of multinational corporations.

The key factors for this segment are:

- premium growth, including new business and customer retention;
- benefits expense as a percentage of earned premium (loss ratio);
- operating expense as a percentage of earned premium (expense ratio); and
- impact of foreign currency movements.

Results of Operations

FINANCIAL SUMMARY

(In millions)	Three Months Ended March 31, 2010	2009
Premiums and fees	**$ 527**	$ 434
Net investment income	**19**	16
Other revenues	**7**	5
Segment revenues	**553**	455
Benefits and expenses	**459**	390
Income before taxes	**94**	65
Income taxes	**21**	22
Income attributable to noncontrolling interest	**1**	1
Segment earnings	**72**	42
Less: special item (after-tax) included in segment earnings:		
Completion of IRS examination (See Note 15 to the Consolidated Financial Statements)	**—**	1
Adjusted income from operations	**$ 72**	$ 41
Impact of foreign currency movements included in segment earnings	**$ 7**	$ (9)
Realized investment gains (losses), net of taxes	**$ 2**	$ (2)

During the first quarter of 2010, the Company's International segment implemented a capital management strategy to permanently invest the earnings of its Hong Kong operation overseas. Income taxes for this operation, and the Korea operation which implemented a similar strategy in the second quarter of 2009, will be recorded at the tax rate of the respective foreign jurisdiction. The International segment's adjusted income from operations reflected favorable tax adjustments of $5 million from the implementation of this strategy and $8 million from the impact of the lower tax rates on the permanently invested earnings in Korea and Hong Kong for first quarter of 2010. Excluding the impact of these tax adjustments and foreign currency movements, the International segment's adjusted income from operations increased 27% for the first quarter of 2010 compared with the same period last year. The increase is primarily due to strong revenue growth and higher persistency, partially offset by unfavorable claims experience in the supplemental health, life and accident insurance business, particularly in South Korea. Favorable loss ratios in the expatriate employee benefits business also contributed to the increase. Both businesses continue to deliver competitively strong margins. The impact of foreign currency movements was calculated by comparing the reported results to what the results would have been had the exchange rates remained constant with the prior year's comparable period exchange rates.

Revenues

Premiums and fees. Excluding the effect of foreign currency movements, premiums and fees were $477 million for the first quarter of 2010 compared with reported premiums of $434 million for the same period last year, an increase of 10%. The increase was primarily attributable to new sales growth in the supplemental health, life and accident insurance operations, particularly in South Korea, and rate actions and membership growth in the expatriate employee benefits business.

To exclude the effect of foreign currency movements, premiums and fees were calculated using the prior year's comparable period exchange rates, allowing foreign currency neutral comparison to the prior years' reported premiums and fees.

Net investment income increased by 19% in the first quarter of 2010, compared with the same period last year. The increase was primarily due to favorable foreign currency movements, particularly in South Korea.

Benefits and Expenses

Excluding the impact of foreign currency movements, benefits and expenses were $416 million for the first quarter of 2010 compared with reported benefits and expenses of $390 million for the same period last year, an increase of 7%. The increase in the first quarter of 2010 was primarily due to business growth and higher claims in the supplemental health, life and accident insurance business, particularly in South Korea, partially offset by lower claims in the expatriate employee benefits business.

Loss ratios increased for the first quarter of 2010 in the supplemental health, life and accident insurance business and decreased in the expatriate benefits businesses compared to the same period last year.

Policy acquisition expenses increased for the first quarter of 2010, reflecting foreign currency movements and business growth partially offset by lower amortization of deferred acquisition costs associated with higher persistency in the supplemental health, life and accident insurance business.

Expense ratios decreased for the first quarter of 2010 compared to the same period last year, reflecting effective expense management.

Other Items Affecting International Results

For the Company's International segment, South Korea is the single largest geographic market. South Korea generated 32% of the segment's revenues and 39% of the segment's earnings for the first quarter of 2010. Due to the concentration of business in South Korea, the International segment is exposed to potential losses resulting from economic and geopolitical developments in that country, as well as foreign currency movements affecting the South Korean currency, which could have a significant impact on the segment's results and the Company's consolidated financial results.

Run-off Reinsurance Segment

Segment Description

The Company's reinsurance operations were discontinued and are now an inactive business in run-off mode since the sale of the U.S. individual life, group life and accidental death reinsurance business in 2000. This segment is predominantly comprised of guaranteed minimum death benefit ("GMDB", also known as "VADBe"), guaranteed minimum income benefit ("GMIB"), workers' compensation and personal accident reinsurance products.

The determination of liabilities for GMDB and GMIB requires the Company to make assumptions and critical accounting estimates. The Company describes the assumptions used to develop the reserves for GMDB in Note 6 to the Consolidated Financial Statements and for the assets and liabilities associated with GMIB in Note 7 to the Consolidated Financial Statements. The Company also provides the effects of hypothetical changes in assumptions in the Critical Accounting Estimates section of the MD&A beginning on page 55 of the Company's 2009 Form 10-K.

The Company excludes the results of the GMIB business from adjusted income from operations because the fair value of GMIB assets and liabilities must be recalculated each quarter using updated capital market assumptions. The resulting changes in fair value, which are reported in shareholders' net income, are volatile and unpredictable.

Results of Operations

FINANCIAL SUMMARY

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Premiums and fees	**$ 8**	$ 6
Net investment income	**28**	24
Other revenues	**(46)**	115
Segment revenues	**(10)**	145
Benefits and expenses	**(17)**	185
Income (loss) before income tax benefits	**7**	(40)
Income taxes (benefits)	**3**	(14)
Segment earnings (loss)	**4**	(26)
Less: results of GMIB business	**5**	23
Adjusted loss from operations	**$ (1)**	$ (49)
Realized investment losses, net of taxes	**$ (1)**	$ (3)

Segment results for the first three months of 2010 improved from the same period last year due to the absence of a charge for reserve strengthening in the GMDB business in 2009, partially offset by less favorable results for the GMIB business (presented in the table above). Excluding the results of the GMIB and GMDB business, adjusted loss from operations for Run-off Reinsurance for the first three months of 2010 was flat compared to the same period of 2009.

See the Benefits and Expenses section for further discussion around the results of the GMIB and GMDB businesses.

Other Revenues

Other revenues included pre-tax losses of $45 million for the first three months of 2010 from futures contracts used in the GMDB equity hedge program (see Note 6 to the Consolidated Financial Statements), compared with gains of $117 million for the same period of 2009. Amounts reflecting corresponding changes in liabilities for GMDB contracts were included in benefits and expenses consistent with GAAP when a premium deficiency exists (see below "Other Benefits and Expenses"). The Company held futures contract positions related to this program with a notional amount of $1 billion at March 31, 2010.

Benefits and Expenses

Benefits and expenses were comprised of the following:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
GMIB fair value gain	**$ (4)**	$ (32)
Other benefits and expenses	**(13)**	217
Benefits and expenses	**$ (17)**	$ 185

GMIB fair value gain. Under the GAAP guidance for fair value measurements, the Company's results of operations are expected to be volatile in future periods because capital market assumptions needed to estimate the assets and liabilities for the GMIB business are based largely on market-observable inputs at the close of each reporting period including interest rates (LIBOR swap curve) and market-implied volatilities. See Note 7 to the Consolidated Financial Statements for additional information about assumptions and asset and liability balances related to GMIB.

For the first three months of 2010, GMIB fair value gain was $4 million, primarily due to favorable equity market and bond fund returns, partially offset by generally lower interest rates.

For the first three months of 2009, GMIB fair value gain was $32 million, primarily a result of increases in interest rates since December 31, 2008, partially offset by declines in equity markets and bond returns and updates to the lapse assumption.

The GMIB liabilities and related assets are calculated using a complex internal model and assumptions from the viewpoint of a hypothetical market participant. This resulting liability (and related asset) is higher than the Company believes will ultimately be required to settle claims primarily because market-observable interest rates are used to project growth in account values of the underlying mutual funds to estimate fair value from the viewpoint of a hypothetical market participant. The Company's payments for GMIB claims are expected to occur over the next 15 to 20 years and will be based on actual values of the underlying mutual funds and the 7-year Treasury rate at the dates benefits are elected. Management does not believe that current market-observable interest rates reflect actual growth expected for the underlying mutual funds over that timeframe, and therefore believes that the recorded liability and related asset do not represent what management believes will ultimately be required as this business runs off.

However, significant declines in mutual fund values that underlie the contracts (increasing the exposure to the Company) together with declines in the 7-year Treasury rates (used to determine claim payments) similar to what occurred during 2008 and early 2009 would increase the expected amount of claims that would be paid out for contractholders who choose to annuitize. It is also possible that such unfavorable market conditions would have an impact on the level of contractholder annuitizations, particularly if such unfavorable market conditions persisted for an extended period.

Other Benefits and Expenses. Other benefits and expenses reflected income for the first three months of 2010, compared to expense during the same period in 2009 due primarily to the absence of a $73 million pre-tax charge to strengthen GMDB reserves in the first quarter of 2009 (see below). Changes in equity markets on GMDB contracts also contributed to the decrease in benefits and expenses. Equity market improvements in 2010 increased the underlying annuity account values, which decreased the exposure under the contracts and benefits expense. Equity market declines in 2009 decreased the underlying annuity account values, which increased the exposure under the contracts and benefits expense. These changes in benefits expense are partially offset by futures gains and losses, discussed in Other Revenues above.

For the first three months of 2010, no reserve strengthening for GMDB reserves was required. In the first quarter of 2009, the Company recorded additional other benefits and expenses of $73 million ($47 million after-tax) to strengthen GMDB reserves. The amounts were primarily due to an increase in the provision for future partial surrenders due to overall market declines, adverse volatility-related impacts due to turbulent equity market conditions and adverse interest rate impacts.

See Note 6 to the Consolidated Financial Statements for additional information about assumptions and reserve balances related to GMDB.

Segment Summary

The Company's payment obligations for underlying reinsurance exposures assumed by the Company under these contracts are based on ceding companies' claim payments. For GMDB and GMIB, claim payments vary because of changes in equity markets and interest rates, as well as mortality and policyholder behavior. For workers' compensation and personal accident, the claim payments relate to accidents and injuries. Any of these claim payments can extend many years into the future, and the amount of the ceding companies' ultimate claims, and therefore the amount of the Company's ultimate payment obligations and corresponding ultimate collection from its retrocessionaires may not be known with certainty for some time.

The Company's reserves for underlying reinsurance exposures assumed by the Company, as well as for amounts recoverable from retrocessionaires, are considered appropriate as of March 31, 2010, based on current information. However, it is possible that future developments, which could include but are not limited to worse than expected claim experience and higher than expected volatility, could have a material adverse effect on the Company's consolidated results of operations and could have a material adverse effect on the Company's financial condition. The Company bears the risk of loss if its payment obligations to cedents increase or if its retrocessionaires are unable to meet, or successfully challenge, their reinsurance obligations to the Company.

Other Operations Segment

Segment Description

Other Operations consist of:

- non-leveraged and leveraged corporate-owned life insurance ("COLI");
- deferred gains recognized from the 1998 sale of the individual life insurance and annuity business and the 2004 sale of the retirement benefits business; and
- run-off settlement annuity business.

Results of Operations

FINANCIAL SUMMARY

(In millions)	Three Months Ended March 31, 2010	2009
Premiums and fees	**$ 28**	$ 28
Net investment income	**101**	98
Other revenues	**15**	16
Segment revenues	**144**	142
Benefits and expenses	**115**	126
Income before taxes	**29**	16
Income taxes	**10**	(3)
Segment earnings	**19**	19
Less: special item (after-tax) included in segment earnings:		
Completion of IRS examination (See Note 15 to the Consolidated Financial Statements)	**—**	1
Adjusted income from operations	**$ 19**	$ 18
Realized investment losses, net of taxes	**$ (2)**	$ (4)

Adjusted income from operations for Other Operations increased in the first three months of 2010 compared with the same period in 2009, reflecting higher earnings driven by higher investment income offset by a continued decline in deferred gain amortization associated with the sold businesses.

Revenues

Net investment income. Net investment income increased 3% in the first three months of 2010 compared with the same period in 2009, reflecting higher average invested assets for COLI business and higher yields.

Other revenues. Other revenues decreased 6% in the first three months of 2010 compared with the same period in 2009 primarily due to lower deferred gain amortization related to the sold retirement benefits and individual life insurance and annuity businesses. The amount of the deferred gain amortization recorded was $6 million in the first quarter of 2010 and $8 million in the first quarter of 2009.

Corporate

Description

Corporate reflects amounts not allocated to segments, such as net interest expense (defined as interest on corporate debt less net investment income on investments not supporting segment operations), interest on uncertain tax positions, certain litigation matters, intersegment eliminations, compensation cost for stock options and certain corporate overhead expenses such as directors' expenses and, beginning in 2010, pension expense related to the Company's frozen pension plans.

FINANCIAL SUMMARY

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Segment loss	**$ (46)**	$ (22)
Less: special item (after-tax) included in segment loss:		
Completion of IRS examination (See Note 15 to the Consolidated Financial Statements)	**—**	12
Adjusted loss from operations	**$ (46)**	$ (34)

Corporate's adjusted loss from operations was higher in the first three months of 2010, compared with the same period in 2009, primarily reflecting:

- higher net interest expense, primarily driven by a higher long-term debt balance;
- tax expense for postretirement benefits resulting from health care reform ("the Act", see the Introduction section of the MD&A beginning on page 43); and
- pension expense related to the Company's frozen pension plans which was reported in Corporate beginning in 2010.

DISCONTINUED OPERATIONS

Description

Discontinued operations represent results associated with certain investments or businesses that have been sold or are held for sale.

Discontinued operations for the first three months of 2009 primarily represented a tax benefit from a past divestiture resolved at the completion of the 2005 and 2006 IRS examinations.

INDUSTRY DEVELOPMENTS

The disability industry is under continuing review by regulators and legislators with respect to its offset practices regarding Social Security Disability Insurance ("SSDI"). There has been specific inquiry as to the industry's role in providing assistance to individuals with their applications for SSDI. The Company has received one Congressional inquiry and has responded to the information request. Also, legislation prohibiting the offset of SSDI payments against private disability insurance payments for prospectively issued policies was introduced but not enacted in the Connecticut state legislature. The Company is also involved in related pending litigation. If the industry is forced to change its offset SSDI procedures, the practices and products for the Company's Disability and Life segment could be significantly impacted.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company maintains liquidity at two levels: the subsidiary level and the parent company level.

Liquidity requirements at the subsidiary level generally consist of:

- claim and benefit payments to policyholders; and
- operating expense requirements, primarily for employee compensation and benefits.

The Company's subsidiaries normally meet their operating requirements by:

- maintaining appropriate levels of cash, cash equivalents and short-term investments;
- using cash flows from operating activities;
- selling investments;
- matching investment durations to those estimated for the related insurance and contractholder liabilities; and
- borrowing from its parent company.

Liquidity requirements at the parent company level generally consist of:

- debt service and dividend payments to shareholders; and
- pension plan funding.

The parent normally meets its liquidity requirements by:

- maintaining appropriate levels of cash, cash equivalents and short-term investments;
- collecting dividends from its subsidiaries;
- using proceeds from issuance of debt and equity securities; and
- borrowing from its subsidiaries.

Cash flows for the three months ended March 31, were as follows:

(In millions)	**2010**	2009
Operating activities	**$ 394**	$ 72
Investing activities	**$ (123)**	$ (166)
Financing activities	**$ 107**	$ 137

Cash flows from operating activities consist of cash receipts and disbursements for premiums and fees, mail order pharmacy and other revenues, gains (losses) recognized in connection with the Company's GMDB equity hedge program, investment income, taxes, and benefits and expenses.

Because certain income and expense transactions do not generate cash, and because cash transactions related to revenue and expenses may occur in periods different from when those revenues and expenses are recognized in shareholders' net income, cash flows from operating activities can be significantly different from shareholders' net income.

Cash flows from investing activities generally consist of net investment purchases or sales and net purchases of property and equipment, which includes capitalized software, as well as cash used to acquire businesses.

Cash flows from financing activities are generally comprised of issuances and re-payment of debt at the parent company level, proceeds on the issuance of common stock resulting from stock option exercises, and stock repurchases. In addition, the subsidiaries report net deposits/withdrawals to/from investment contract liabilities (which include universal life insurance liabilities) because such liabilities are considered financing activities with policyholders.

2010:

Operating activities

For the three months ended March 31, 2010, cash flows from operating activities were higher than net income by $110 million. Net income contains certain after-tax non-cash income and expense items, including:

- Favorable results of the GMIB business of $5 million;
- depreciation and amortization charges of $40 million; and
- realized investment losses of $3 million.

Cash flows from operating activities were higher than net income excluding the non-cash items noted above by $72 million. Excluding cash outflows of $45 million associated with the GMDB equity hedge program which did not affect shareholders' net income, cash flows from operating activities were higher than net income by $117 million. This result primarily reflects premium growth in the Health Care segment's risk businesses due to significant new business in 2010. Since paid claims on new business tend to lag premium collections, cash flow from operating activities was favorably affected by this new business. In addition, the Company was not required to make a federal tax payment in the first quarter. These favorable effects were partially offset by the annual payment of management incentive compensation in the first quarter.

Cash flows from operating activities increased by $322 million compared with the three months ended March 31, 2009. Excluding the results of the GMDB equity hedge program (which did not affect shareholders' net income), cash flows from operating activities increased by $484 million. This increase primarily reflects premium growth in the Health Care segment's risk businesses as noted above, earnings growth in the Disability and Life and International segments as well as lower contributions to the qualified domestic pension plan of $55 million for the three months ended March 31, 2010, compared with $300 million for the three months ended March 31, 2009. These favorable effects were partially offset by higher management compensation payments for the three months ended March 31, 2010, compared with the same period last year.

Investing activities

Cash used in investing activities was $123 million. This use of cash primarily consisted of net purchases of investments of $66 million and net purchases of property and equipment of $52 million.

Financing activities

Cash provided from financing activities primarily consisted of changes in cash overdraft position of $40 million, proceeds from issuances of common stock from employee benefit plans of $24 million and net deposits to contractholder deposit funds of $45 million.

2009:

Operating activities

For the three months ended March 31, 2009, cash flows from operating activities were less than net income by $137 million. Net income contains certain after-tax non-cash income and expense items, including:

- favorable results of the GMIB business of $23 million;
- depreciation and amortization charges of $45 million;
- realized investment losses of $24 million; and
- tax benefits related to the IRS examination of $20 million.

Cash flows from operating activities were lower than net income excluding the non-cash items noted above by $163 million. This decrease was primarily due to contributions to the domestic pension plan of $300 million partially offset by cash inflows associated with the GMDB equity hedge program of $117 million.

Investing activities

Cash used in investing activities was $166 million. This use of cash primarily consisted of net purchases of investments of $106 million and net purchases of property and equipment of $60 million.

Financing activities

Cash provided from financing activities primarily consisted of proceeds from the net issuance of short-term debt of $74 million. These borrowing arrangements were entered into for general corporate purposes. Financing activities also included net deposits to contractholder deposit funds of $51 million.

Interest Expense

Interest expense on long-term debt, short-term debt and capital leases was as follows:

	Three Months Ended March 31,	
(In millions)	**2010**	2009
Interest expense	**$ 43**	$ 38

The increase in interest expense for the three months ended March 31, 2010 was primarily due to more long-term debt outstanding in 2010, caused by the issuance of debt in May, 2009 used for general corporate purposes, including the repayment of some of the Company's commercial paper issued to finance the acquisition of the Healthcare division of Great West Life and Annuity, Inc.

Capital Resources

The Company's capital resources (primarily retained earnings and the proceeds from the issuance of debt and equity securities) provide protection for policyholders, furnish the financial strength to underwrite insurance risks and facilitate continued business growth.

Management, guided by regulatory requirements and rating agency capital guidelines, determines the amount of capital resources that the Company maintains. Management allocates resources to new long-term business commitments when returns, considering the risks, look promising and when the resources available to support existing business are adequate.

The Company prioritizes its use of capital resources to:

- provide capital necessary to support growth and maintain or improve the financial strength ratings of subsidiaries;
- consider acquisitions that are strategically and economically advantageous; and
- return capital to investors through share repurchase.

The availability of capital resources will be impacted by equity and credit market conditions. Extreme volatility in credit or equity market conditions may reduce the Company's ability to issue debt or equity securities.

Share Repurchase

The Company maintains a share repurchase program, which was authorized by its Board of Directors. The decision to repurchase shares depends on market conditions and alternate uses of capital. The Company has, and may continue from time to time, to repurchase shares on the open market through a Rule 10b5-1 plan which permits a company to repurchase its shares at times when it otherwise might be precluded from doing so under insider trading laws or because of self-imposed trading blackout periods. The Company suspends activity under this program from time to time and also removes such suspensions, generally without public announcement.

Through May 6, 2010, the Company has not repurchased any shares during 2010, and did not repurchase any shares during 2009. The total remaining share repurchase authorization as of May 6, 2010 was $449 million.

Liquidity and Capital Resources Outlook

At March 31, 2010, there was approximately $700 million in cash and short-term investments available at the parent company level. For the remainder of 2010, the parent company's cash requirements include scheduled interest payments of approximately $136 million on outstanding long-term debt (including current maturities) of $2.4 billion at March 31, 2010, and expected pre-tax contributions to the pension plan of $157 million, of which $57 million are required. In addition, approximately $100 million of commercial paper will mature over the next 2 months and scheduled long-term debt repayments of $222 million are due in January of 2011. The parent company expects to fund these cash requirements by using available cash, subsidiary dividends, by refinancing the maturing commercial paper borrowings with new commercial paper and by issuing new long-term debt, if necessary.

The availability of resources at the parent company level is partially dependent on dividends from the Company's subsidiaries, most of which are subject to regulatory restrictions and rating agency capital guidelines, and partially dependent on the availability of liquidity from the issuance of debt or equity securities.

The Company expects, based on current projections for cash activity, to have sufficient liquidity to meet its obligations.

However, the Company's cash projections may not be realized and the demand for funds could exceed available cash if:

- ongoing businesses experience unexpected shortfalls in earnings;
- regulatory restrictions or rating agency capital guidelines reduce the amount of dividends available to be distributed to the parent company from the insurance and HMO subsidiaries (including the impact of equity market deterioration and volatility on subsidiary capital);
- significant disruption or volatility in the capital and credit markets reduces the Company's ability to raise capital or creates unexpected losses related to the GMDB and GMIB businesses;
- a substantial increase in funding over current projections is required for the Company's pension plans; or
- a substantial increase in funding is required for the Company's GMDB equity hedge program.

In those cases, the Company expects to have the flexibility to satisfy liquidity needs through a variety of measures, including intercompany borrowings and sales of liquid investments. The parent company may borrow up to $600 million from Connecticut General Life Insurance Company ("CGLIC") without prior state approval. As of March 31, 2010, the parent company had no outstanding borrowings from CGLIC.

In addition, the Company may use short-term borrowings, such as the commercial paper program and the committed revolving credit and letter of credit agreement of up to $1.75 billion subject to the maximum debt leverage covenant in its line of credit agreement. This agreement permits up to $1.25 billion to be used for letters of credit. As of March 31, 2010, there were two letters totaling $107 million issued out of the credit facility. As of March 31, 2010, the Company had an additional $1.64 billion of borrowing capacity under the credit facility.

Though the Company believes it has adequate sources of liquidity, continued significant disruption or volatility in the capital and credit markets could affect the Company's ability to access those markets for additional borrowings or increase costs associated with borrowing funds.

Guarantees and Contractual Obligations

The Company, through its subsidiaries, is contingently liable for various contractual obligations entered into in the ordinary course of business. See Note 17 to the Consolidated Financial Statements for additional information.

INVESTMENT ASSETS

The Company's investment assets do not include separate account assets. Additional information regarding the Company's investment assets and related accounting policies is included in Notes 2, 7, 8, 9, 10 and 14 to the Consolidated Financial Statements. More detailed information about the fixed maturities and mortgage loan portfolios by type of issuer, maturity dates, and, for mortgages by property type and location is included in Note 8 to the Consolidated Financial Statements and Notes 2, 11, 12 and 17 to the Consolidated Financial Statements in the Company's 2009 Form 10-K.

As of March 31, 2010, the Company's mix of investments and their primary characteristics have not materially changed since December 31, 2009. The Company's fixed maturity portfolio is diversified by issuer and industry type, with no single industry constituting more than 10% of total invested assets as of March 31, 2010. The Company's commercial mortgage loan portfolio is diversified by property type, location and borrower to reduce exposure to potential losses.

Fixed Maturities

Investments in fixed maturities (bonds) include publicly traded and privately placed debt securities, mortgage and other asset-backed securities, preferred stocks redeemable by the investor and trading securities. Fixed maturities and equity securities include hybrid securities. Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value using methods, models and assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price.

The Company performs ongoing analyses of prices used to value the Company's invested assets to determine that they represent appropriate estimates of fair value. This process involves quantitative and qualitative analysis including reviews of pricing methodologies, judgments of valuation inputs, the significance of any unobservable inputs, pricing statistics and trends. The Company also performs sample testing of sales values to confirm the accuracy of prior fair value estimates. These procedures are overseen by the Company's investment professionals.

The value of the Company's fixed maturity portfolio increased $156 million in the first quarter of 2010 driven by a decline in market yields. Although overall asset values are well in excess of amortized cost, there are specific securities with amortized cost in excess of fair value by $84 million as of March 31, 2010.

As of March 31, 2010, approximately 63% or $1,597 million of the Company's total investments in state and local government securities of $2,523 million were guaranteed by monoline bond insurers. The quality ratings of these investments with and without this guaranteed support as of March 31, 2010 were as follows:

		As of March 31, 2010	
		Fair Value	
(In millions)	Quality Rating	With Guarantee	Without Guarantee
State and local governments	Aaa	$ 66	$ 64
	Aa1-Aa3	1,116	946
	A1-A3	354	463
	Baa1-Baa3	61	69
	Not available	—	55
Total state and local governments		$ 1,597	$ 1,597

As of March 31, 2010, approximately 81% or $450 million of the Company's total investments in other asset-backed securities of $559 million were guaranteed by monoline bond insurers. All of these securities had quality ratings of Baa2 or better. Quality ratings without considering the guarantees for these other asset-backed securities were not available.

As of March 31, 2010, the Company had no direct investments in monoline bond insurers. Guarantees provided by various monoline bond insurers for certain of the Company's investments in state and local governments and other asset-backed securities as of March 31, 2010 were:

(In millions)		As of March 31, 2010	
Guarantor	**Guarantor Quality Rating**	**Indirect Exposure**	
AMBAC	Caa2	$	196
National Public Finance Guarantee (formerly MBIA, Inc.)	Baa1		1,222
Assured Guaranty Municipal Corp (formerly Financial Security Assurance)	Aa3		590
Financial Guaranty Insurance Co.	NR		39
Total		$	2,047

The Company continues to underwrite investments in these securities focusing on the underlying issuer's credit quality, without regard for guarantees. As such, this portfolio of state and local government securities, guaranteed by monoline bond insurers is of high quality with approximately 92% rated A3 or better without their guarantees.

Commercial Mortgage Loans

The Company's commercial mortgage loans are fixed rate loans, diversified by property type, location and borrower to reduce exposure to potential losses. Loans are secured by the related property and are generally made at less than 75% of the property's value at origination of the loan. In addition to property value, debt service coverage, which is the ratio of the estimated cash flows from the property to the required loan payments (principal and interest), is an important underwriting consideration.

The Company completed its annual in depth review of its commercial mortgage loan portfolio in the third quarter of 2009. This review included an analysis of each property's financial statements as of December 31, 2008, rent rolls and operating plans and budgets for 2009, a physical inspection of the property and other pertinent factors. Based on property values and cash flows estimated as part of this review, along with updates for certain loans where material changes were subsequently identified, the portfolio's average loan-to-value ratio increased from 64% as of December 31, 2008 to 77% at March 31, 2010 and the overall estimated cash flows from the portfolio's properties exceeded their required debt payments by approximately 50% (debt service coverage) as of March 31, 2010.

The following table reflects the commercial mortgage loan portfolio as of March 31, 2010 summarized by loan-to-value ratio based on the annual loan review completed in July, 2009.

Loan-to-Value Distribution

Loan-to-Value Ratios	**Amortized Cost**			**% of Mortgage Loans**
	Senior	**Subordinated**	**Total**	
Below 50%	$ 197	$ 159	$ 356	10%
50% to 59%	296	—	296	9%
60% to 69%	421	37	458	13%
70% to 79%	487	76	563	16%
80% to 89%	846	43	889	25%
90% to 99%	595	17	612	18%
100% or above	304	15	319	9%
Totals	$ 3,146	$ 347	$ 3,493	100%

As summarized above, $347 million or 10% of the commercial mortgage loan portfolio is comprised of subordinated notes and loans, including $313 million of loans secured by first mortgages, which were fully underwritten and originated by the Company using its standard underwriting procedures. Senior interests in these first mortgage loans were then sold to other institutional investors. This strategy allowed the Company to effectively utilize its origination capabilities to underwrite high quality loans with strong borrower sponsorship, limit individual loan exposures, and achieve attractive risk adjusted yields. In the event of a default, the Company would pursue remedies up to and including foreclosure jointly with the holders of the senior interest, but would receive repayment only after satisfaction of the senior interest.

There are nine loans where the aggregate carrying value of the mortgage loans exceeds the value of the underlying properties by $25 million. Six of these loans have current debt service coverage of 1.0 or greater and three with debt service coverage below 1.0 have other mitigating factors including strong borrower sponsorship. Although the property value declines increased the portfolio's loan-to-value ratios, all but six of the approximately 180 loans that comprise the Company's total mortgage loan portfolio continue to perform under their contractual terms, and the actual aggregate default rate is 5%. Given the quality and diversity of the underlying real estate, positive debt service coverage, significant borrower cash investment averaging nearly 30%, and only $219 million of loans maturing in the next twelve months, the Company remains confident that the vast majority of borrowers will continue to perform as required.

Commercial real estate fundamentals and values continued to decline after completion of the portfolio review in mid-year 2009. While the vast majority of loans in the Company's portfolio have positive debt service coverage of at least 1.0, the Company expects declines in debt service coverage to reflect further deterioration in fundamentals (higher vacancy rates and lower rental rates) resulting from ongoing weak economic conditions. Management's current view is that property values have fallen by approximately 10% on average from values estimated as part of the 2009 portfolio review. This means that approximately 20% of the portfolio's loans would have carrying values in excess of their underlying properties' fair values totaling approximately $95 million. However, the value of well located, well leased, institutional quality real estate demonstrated signs of stabilization during the fourth quarter of 2009 and has continued to stabilize, and in some instances increase, during the first quarter of 2010.

Other Long-term Investments

The Company's other long-term investments include $562 million in private equity and real estate funds as well as direct investments in real estate joint ventures. The funds typically invest in mezzanine debt or equity of privately held companies and equity real estate. Because these investments have a subordinate position in the capital structure, the Company assumes a higher level of risk for higher expected returns. Many of these entities have experienced a decline in value over the last several quarters due to economic weakness and the disruption in the capital markets, particularly in the commercial real estate market. These total asset values exceeded their carrying values as of March 31, 2010. However, the fair value of the Company's ownership interest in certain funds (those carried at cost) was less than its carrying value by $59 million. The Company believes these declines in value are temporary and expects to recover its carrying value over the remaining lives of the funds. To mitigate risk, these investments are diversified across approximately 60 separate partnerships, and approximately 35 general partners who manage one or more of these partnerships. Also, the funds' underlying investments are diversified by industry sector, property type, and geographic region. No single partnership investment exceeds 8% of the Company's private equity and real estate partnership portfolio. Given the current economic environment, future impairments are possible; however, management does not expect those losses to have a material effect on the Company's financial condition.

Problem and Potential Problem Investments

"Problem" bonds and commercial mortgage loans are either delinquent by 60 days or more or have been restructured as to terms (interest rate or maturity date). "Potential problem" bonds and commercial mortgage loans are considered current (no payment more than 59 days past due), but management believes they have certain characteristics that increase the likelihood that they may become problems. The characteristics management considers include, but are not limited to, the following:

- request from the borrower for restructuring;
- principal or interest payments past due by more than 30 but fewer than 60 days;
- downgrade in credit rating;
- collateral losses on asset-backed securities; and
- for commercial mortgages, deterioration of debt service coverage below 1.0 or value declines resulting in estimated loan-to-value ratios increasing to 100% or more.

The Company recognizes interest income on problem bonds and commercial mortgage loans only when payment is actually received because of the risk profile of the underlying investment. The additional amount that would have been reflected in net income if interest on non-accrual investments had been recognized in accordance with the original terms was not significant for the first three months of 2010 or 2009.

The following table shows problem and potential problem investments at amortized cost, net of valuation reserves and write-downs:

(In millions)	**March 31, 2010**			December 31, 2009		
	Gross	**Reserve**	**Net**	Gross	Reserve	Net
Problem bonds	**$ 102**	**$ (49)**	**$ 53**	$ 103	$ (49)	$ 54
Problem commercial mortgage loans	**202**	**(28)**	**174**	169	(11)	158
Foreclosed real estate	**95**	**—**	**95**	59	—	59
Total problem investments	**$ 399**	**$ (77)**	**$ 322**	$ 331	$ (60)	$ 271
Potential problem bonds	**$ 42**	**$ (10)**	**$ 32**	$ 94	$ (10)	$ 84
Potential problem commercial mortgage loans	**254**	**—**	**254**	245	(6)	239
Total potential problem investments	**$ 296**	**$ (10)**	**$ 286**	$ 339	$ (16)	$ 323

Net problem investments represent 1.7% of total investments excluding policy loans. Net problem investments increased $51 million during the first quarter of 2010 primarily reflecting the reclassification of two mortgage loans totaling $53 million from potential problem loans to problem loans.

Net potential problem investments represent 1.5% of total investments excluding policy loans. Net potential problem investments decreased $37 million during the first quarter of 2010 primarily reflecting improved bond performance and the reclassification of two commercial mortgage loans to problem investments, offset by the addition of three commercial mortgage loans totaling $81 million to the potential problem loan list that were exhibiting signs of distress such as an elevated loan-to-value ratio or a low or negative debt service coverage. These loans are all performing according to their original contractual terms as of March 31, 2010.

Commercial mortgage loans are considered impaired when it is probable that the Company will not collect amounts due according to the terms of the original loan agreement. In the above table, problem commercial mortgage loans totaling $174 million, at March 31, 2010 are considered impaired. During the first quarter of 2010, the Company recorded an $11 million pre-tax ($7 million after-tax) increase to valuation reserves on impaired commercial mortgage loans.

Summary

The Company recorded after-tax realized investment losses for investment asset write-downs and changes in valuation reserves as follows:

(In millions)	Three Months Ended March 31, 2010	2009
Credit-related [(1)]	**$ 16**	$ 7
Other [(2)]	**1**	7
Total [(3)]	**$ 17**	$ 14

(1) Credit-related losses include other-than-temporary declines in value of fixed maturities and equity securities, and impairments of commercial mortgage loans and real estate entities. The amount related to credit losses on fixed maturities for which a portion of the impairment was recognized in other comprehensive income was not significant.

(2) Prior to adoption of new GAAP guidance for other-than-temporary impairments on April 1, 2009, Other primarily represented the impact of rising market yields on investments where the Company could not demonstrate the intent and ability to hold until recovery.

(3) Includes other-than-temporary impairments on debt securities of $1 million in the first quarter of 2010 and $11 million in the first quarter of 2009. These impairments are included in the other category in 2010 and in both the credit related and other categories in 2009.

The financial markets were generally stable to improving during the first quarter of 2010. Both investment grade and below investment grade corporate credit indices remained fairly consistent with the fourth quarter of 2009 and the S&P 500 posted a return of approximately 5% during this period. While credit spreads and asset values were stable in the first quarter of 2010, substantial uncertainty remains concerning the economic environment. As a result of this economic environment, risks in the Company's investment portfolio, while declining, remain elevated.

Continued economic weakness for an extended period could cause default rates to increase and recoveries to decline resulting in additional impairment losses for the Company. Future realized and unrealized investment results will be impacted largely by market conditions that exist when a transaction occurs or at the reporting date. These future conditions are not reasonably predictable. Management believes that the vast majority of the Company's fixed maturity investments will continue to perform under their contractual terms, and that declines in their fair values below carrying value are temporary. Based on the strategy to match the duration of invested assets to the duration of insurance and contractholder liabilities, the Company expects to hold a significant portion of these assets for the long term. Future credit-related losses are not expected to have a material adverse effect on the Company's liquidity or financial condition.

While management believes the commercial mortgage loan portfolio is positioned to perform well due to the solid aggregate loan to value ratio, strong debt service coverage and minimal underwater position, the commercial real estate market continues to exhibit significant signs of distress and if these conditions remain for an extended period or worsen substantially, it could result in an increase in problem and potential problem loans. Given the current economic environment, future impairments are possible; however, management does not expect those losses to have a material effect on the Company's financial condition.

MARKET RISK

Financial Instruments

The Company's assets and liabilities include financial instruments subject to the risk of potential losses from adverse changes in market rates and prices. The Company's primary market risk exposures are interest-rate risk, foreign currency exchange rate risk and equity price risk.

The Company uses futures contracts as part of a GMDB equity hedge program to substantially reduce the effect of equity market changes on certain reinsurance contracts that guarantee minimum death benefits based on unfavorable changes in underlying variable annuity account values. The hypothetical effect of a 10% increase in the S&P 500, S&P 400, Russell 2000, NASDAQ, TOPIX (Japanese), EUROSTOXX and FTSE (British) equity indices and a 10% weakening in the U.S. dollar to the Japanese yen, British pound and euro would have been a decrease of approximately $90 million in the fair value of the futures contracts outstanding under this program as of March 31, 2010. A corresponding decrease in liabilities for GMDB contracts would result from the hypothetical 10% increase in these equity indices and 10% weakening in the U.S. dollar. See Note 6 to the Consolidated Financial Statements for further discussion of this program and related GMDB contracts.

Stock Market Performance

The performance of equity markets can have a significant effect on the Company's businesses, including on:

- risks and exposures associated with GMDB (see Note 6 to the Consolidated Financial Statements) and GMIB contracts (see Note 7 to the Consolidated Financial Statements); and

- pension liabilities since equity securities comprise a significant portion of the assets of the Company's employee pension plans. See "Liquidity and Capital Resources" section of the MD&A beginning on page 61 for further information.

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

The Company and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company's filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management's beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company's productivity initiatives, litigation and other legal matters, operational improvement in the health care operations, and the outlook for the Company's full year 2010 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 and retention of current business as well as the downgrade in the 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. the inability of the hedge 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, claim 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 plan in future periods as well as the recognition of additional pension obligations;

14. unfavorable claims experience related to workers' compensation and personal accident exposures of the run-off reinsurance business, including losses attributable to the inability to recover claims from retrocessionaires;

15. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the Company's operations, investments, liquidity and access to capital markets;

16. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the businesses of our customers (including the amount and type of healthcare services provided to their workforce and our customers' ability to pay receivables) and our vendors (including their ability to provide services);

17. adverse changes in state and federal law, 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 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 2009 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.

Item 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Information responsive to this item is contained under the caption “Market Risk” in Item 2 above, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. *CONTROLS AND PROCEDURES*

Based on an evaluation of the effectiveness of CIGNA's disclosure controls and procedures conducted under the supervision and with the participation of CIGNA's management, CIGNA's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, CIGNA's disclosure controls and procedures are effective to ensure that information required to be disclosed by CIGNA in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

During the period covered by this report, there have been no changes in CIGNA's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, CIGNA's internal control over financial reporting.

Part II. *OTHER INFORMATION*

Item 1. *LEGAL PROCEEDINGS*

The information contained under “Litigation and Other Legal Matters” in Note 17 to the Consolidated Financial Statements is incorporated herein by reference.

Item 1A. ***RISK FACTORS***

CIGNA’s Annual Report on Form 10-K for the year ended December 31, 2009 includes a detailed description of its risk factors.

Item 2. ***UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about CIGNA's share repurchase activity for the quarter ended March 31, 2010:

Issuer Purchases of Equity Securities

Period	Total # of shares purchased (1)	Average price paid per share	Total # of shares purchased as part of publicly announced program (2)	Approximate dollar value of shares that may yet be purchased as part of publicly announced program (3)
January 1-31, 2010	294,790	$ 35.80	0	$ 448,919,605
February 1-28, 2010	53,602	$ 33.21	0	$ 448,919,605
March 1-31, 2010	177,790	$ 34.06	0	$ 448,919,605
Total	526,182	$ 34.95	0	N/A

(1) Includes shares tendered by employees as payment of taxes withheld on the exercise of stock options and the vesting of restricted stock granted under the Company's equity compensation plans. Employees tendered 294,790 shares in January, 53,602 shares in February and 177,790 shares in March.

(2) CIGNA has had a repurchase program for many years, and has had varying levels of repurchase authority and activity under this program. The program has no expiration date. CIGNA suspends activity under this program from time to time and also removes such suspensions, generally without public announcement. Remaining authorization under the program was approximately $449 million as of March 31, 2010 and May 6, 2010.

(3) Approximate dollar value of shares is as of the last date of the applicable month.

Item 6. ***EXHIBITS***

(a) See Exhibit Index

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CIGNA CORPORATION

By: /s/ Annmarie T. Hagan
Annmarie T. Hagan
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: May 6, 2010

INDEX TO EXHIBITS

Number	Description	Method of Filing
3.1	Restated Certificate of Incorporation of the registrant as last amended April 23, 2008	Filed as Exhibit 3.1 to the registrant's Form 10-Q for the period ended March 31, 2008 and incorporated herein by reference.
3.2	By-Laws of the registrant as last amended and restated October 28, 2009	Filed as Exhibit 3.2 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
4.1	Indenture dated August 16, 2006 between CIGNA Corporation and U.S. Bank National Association	Filed as Exhibit 4.1 to the registrant's Form S-3ASR on August 17, 2006 and incorporated herein by reference.
4.2	Indenture dated January 1, 1994 between CIGNA Corporation and Marine Midland Bank	Filed as Exhibit 4.2 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
4.3	Indenture dated June 30, 1988 between CIGNA Corporation and Bankers Trust	Filed as Exhibit 4.3 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
10.1	Description of Strategic Performance Share Program	Filed herewith.
10.2	CIGNA Long-Term Incentive Plan as amended and restated effective April 28, 2010	Filed herewith.
10.3	CIGNA Corporation Directors Equity Plan	Filed herewith.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Chief Executive Officer of CIGNA Corporation pursuant to Rule 13a-14(a) or Rule 15d-14 (a) of the Securities Exchange Act of 1934	Filed herewith.
31.2	Certification of Chief Financial Officer of CIGNA Corporation pursuant to Rule 13a-14(a) or Rule 15d-14 (a) of the Securities Exchange Act of 1934	Filed herewith.
32.1	Certification of Chief Executive Officer of CIGNA Corporation pursuant to Rule 13a-14(b) or Rule 15d-14 (b) and 18 U.S.C. Section 1350	Furnished herewith.
32.2	Certification of Chief Financial Officer of CIGNA Corporation pursuant to Rule 13a-14(b) or Rule 15d-14 (b) and 18 U.S.C. Section 1350	Furnished herewith.

Exhibit 10.1

Description of CIGNA Corporation
Strategic Performance Share Program

The Strategic Performance Share Program ("Program") is designed to:

- pay at the median for competitive performance results against stretch targets;
- incent and reward superior results achieved through sustained long-term financial discipline and strategic accomplishments that will benefit CIGNA over the long-term, but may not be reflected in annual results; and
- provide competitive pay opportunities that allow the company to attract, motivate and retain executives who will drive competitively superior performance.

Strategic Performance Shares ("SPSs") have a three-year performance period and are awarded based upon an individual executive's long-term incentive target multiplied by an individual performance factor (ranging from 0-200%). The award is converted to a number of SPSs based on the stock price at the time of the award. At the end of the three-year performance period, the People Resources Committee of CIGNA's Board of Directors ("PRC") assesses CIGNA's results against the goals set at the beginning of the period to determine the number of SPSs earned and paid out. The SPSs earned and actually issued to eligible executives will range from 0-200% of the SPSs awarded at the beginning of the performance period, and the actual number will depend on the degree to which CIGNA achieves the goals set at the time of grant.

No executive can be awarded more than 300,000 performance shares in any year. Upon termination of employment due to retirement, death or disability, or after a change to an ineligible status, the disposition of any outstanding awards will be solely at the discretion of the PRC or its designee in accordance with the provisions of the CIGNA Long-Term Incentive Plan.

Exhibit 10.2

CIGNA LONG-TERM INCENTIVE PLAN
(Amended and Restated Effective as of April 28, 2010)

ARTICLE 1
Statement of Purpose

The CIGNA Long-Term Incentive Plan is intended to:

(a) Reward the creation of long-term value for CIGNA shareholders by providing key employees of the Company with an opportunity to acquire an equity interest in CIGNA Corporation, thereby increasing their personal interest in its continued success and progress, and aligning their interests with those of its shareholders;

(b) Aid the Company in attracting and retaining employees of exceptional ability;

(c) Supplement and balance the Company's salary and incentive bonus programs in support of CIGNA Corporation's long-term strategic plans and financial results;

(d) Encourage decisions and actions by Company executives to deliver superior enterprise results, with appropriate consideration of risk, and that are consistent with the long-range interests of CIGNA Corporation's shareholders.

This Plan is an amendment and restatement, as of the Restatement Date, of the Plan as the Plan was amended and restated effective January 1, 2008. Except as otherwise provided by the terms of the Plan, this amended and restated Plan applies to all authorized awards made after the Plan is approved by Company shareholders.

ARTICLE 2
Definitions

Except as otherwise provided in the Plan or unless the context otherwise requires, the terms defined below shall have the following meanings under the Plan:

2.1 **"Affiliate"** — the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

2.2 **"Beneficial Owner"** and **"Beneficially Owned"** — the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

2.3 **"Board"** — the board of directors of CIGNA Corporation or any duly authorized committee of that board.

2.4 “CEO” — the Chief Executive Officer of CIGNA Corporation.

2.5 “Change of Control” — any of the following:

(a) A corporation, person or group acting in concert, as described in Exchange Act Section 14(d)(2), holds or acquires beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act of a number of preferred or common shares of CIGNA Corporation having 25% or more of the combined voting power of CIGNA Corporation’s then outstanding securities; or

(b) There is consummated a merger or consolidation of CIGNA Corporation or any direct or indirect subsidiary of CIGNA Corporation with any other corporation, other than

(i) a merger or consolidation immediately following which the individuals who constituted the Board of Directors immediately prior thereto constitute at least a majority of the board of directors of the entity surviving such merger or consolidation or the ultimate parent thereof, or

(ii) a merger or consolidation effected to implement a recapitalization of CIGNA Corporation (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of CIGNA Corporation (not including in the securities Beneficially Owned by such Person any securities acquired directly from CIGNA Corporation or its Affiliates) representing 25% or more of the combined voting power of CIGNA Corporation’s then outstanding securities; or

(c) A change occurs in the composition of the Board at any time during any consecutive 24-month period such that the Continuity Directors cease for any reason to constitute a majority of the Board. For purposes of the preceding sentence “Continuity Directors” shall mean those members of the Board who either: (1) were directors at the beginning of such consecutive 24-month period; or (2) were elected by, or on nomination or recommendation of, at least a majority of the Board (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of CIGNA Corporation); or

(d) The shareholders of CIGNA Corporation approve a plan of complete liquidation or dissolution of CIGNA Corporation or there is consummated an agreement for the sale or disposition by CIGNA Corporation of all or substantially all of CIGNA Corporation’s assets, other than a sale or disposition by CIGNA Corporation of all or substantially all of CIGNA Corporation’s assets immediately following which the individuals who constituted the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or any parent thereof.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of CIGNA Corporation immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of CIGNA Corporation immediately following such transaction or series of transactions.

2.6 **"Code"** — the Internal Revenue Code of 1986, as amended.

2.7 **"Committee"** — the Board's People Resources Committee or any successor committee with responsibility for compensation.

2.8 **"Common Stock"** — the common stock, par value $0.25 per share, of CIGNA Corporation.

2.9 **"Company"** — CIGNA Corporation, a Delaware corporation, and/or its Subsidiaries.

2.10 **"Deferred Compensation Plan"** — a Company deferred compensation plan, or another arrangement of the Company which has been designated by the Committee as a "Deferred Compensation Plan" for purposes of this Plan.

2.11 **"Disability"** — permanent and total disability as defined in Code Section 22(e)(3).

2.12 **"Early Retirement"** — a Termination of Employment, after appropriate notice to the Company, (a) on or after a Participant has reached age 55 (but not age 65) and attained at least five years of service (as determined under the elapsed time service counting rules applied by the Company to determine an employee's total period of Company service using an adjusted service date), or (b) upon such terms and conditions approved by the Committee or officers of the Company designated by the Board or the Committee.

2.13 **"Eligible Employee"** — a salaried officer or other key employee of the Company.

2.14 **"Exchange Act"** — the Securities Exchange Act of 1934, as amended.

2.15 “Expiration Date” — the last date, specified in an Option or SAR grant, on which an Option or SAR may be exercised.

2.16 “Fair Market Value” — the average of the highest and lowest quoted selling prices as reported on the Composite Tape (or any successor method of publishing stock prices) as of 4:00 p.m. Eastern time (or such other time as trading on the New York Stock Exchange may close) on the date as of which any determination of stock value is made. If the Composite Tape (or any successor publication) is not published on that date, the determination will be made on the next preceding date of publication. In the absence of reported Common Stock sales, the Committee will determine Fair Market Value by taking into account all facts and circumstances the Committee deems relevant, subject to the requirements of Code Section 409A.

2.17 “Incentive Stock Option” — an Option described by Code Section 422(b).

2.18 “Nonqualified Option” — an Option that is not an Incentive Stock Option.

2.19 “Option” — a right granted under Article 5 to purchase one or more shares of Common Stock.

2.20 “Participant” — an Eligible Employee who has received an award under the Plan.

2.21 “Payment” — the compensation due a Participant, or Participant’s estate, under Article 10 of the Plan on account of a grant of Performance Shares or Units.

2.22 “Payment Date” — the date that a Qualifying Plan payment is made (or would have been made if not deferred under Section 9.3).

2.23 “Peer Group” — a group of companies, selected by the Committee, whose financial performance is compared to CIGNA Corporation’s.

2.24 “Performance Measures” — the measures to be used to assess the Company’s performance with respect to Restricted Stock subject to performance conditions, Strategic Performance Units and Strategic Performance Shares. The measures shall be one or more of the following: earnings (total or per share); net income (total or per share); growth in net income (total or per share); income from selected businesses (total or per share); growth in net income or income from selected businesses (total or per share); pre-tax income or growth in pre-tax income; profit margins; revenues; revenue growth; premiums and fees; growth in premiums and fees; membership; membership growth; market share; change in market share; book value; total shareholder return; stock price; change in stock price; market capitalization; change in market capitalization; return on market value; shareholder equity (total or per share); return on equity; assets; return on assets;

capital; return on capital; economic value added; market value added; cash flow; change in cash flow; expense ratios or other expense management measures; medical loss ratio; ratio of claims or loss costs to revenues; satisfaction – customer, provider, or employee; service quality; productivity ratios or other measures of operating efficiency; and accuracy of claim processing or other measures of operational effectiveness. The Committee may specify any reasonable definition of the measures it uses. Such definitions may provide for reasonable adjustments to the measures and may include or exclude items, including but not limited to: realized investment gains and losses; special items identified in the company's reporting; extraordinary, unusual or non-recurring items; effects of accounting changes, currency fluctuations, acquisitions, divestitures, reserve strengthening, or financing activities; expenses for restructuring or productivity initiatives; and other non-operating items.

2.25 **"Performance Objectives"** — the written objective performance goals applicable to performance conditions for Restricted Stock granted under Section 7.3 or Strategic Performance Shares or Strategic Performance Units granted under Section 10.1. To the extent required by Code Section 162(m), the Performance Objectives shall be stated in terms of one or more Performance Measures. Performance Objectives may be stated separately for one or more of the Participants, collectively for the entire group of Participants, or in any combination of the two. Performance Objectives may be for the Company as a whole, for one or more of its subsidiaries, business units, lines of business or for any combination of the foregoing and may be absolute or may require comparing the Company's financial performance to that of a Peer Group or of a specified index or indices, or be based on a combination of the foregoing. Except as prohibited by Code Section 162 (m), if CIGNA Corporation is involved in a merger, acquisition or divestiture transaction (even if it does not constitute a Change of Control), the Committee may, in its sole discretion, adjust or modify completely the Performance Measures, and/or Performance Objectives if the transaction has any material affect on the Company's ability to apply the Performance Measures, or meet the Performance Objectives, established at the time of grant.

2.26 **"Performance Period"** — the period, specified by the Committee, during which Performance Objectives applicable to Strategic Performance Shares or Strategic Performance Units are measured.

2.27 **"Person"** — the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (a) CIGNA Corporation or any of its Subsidiaries, (b) a trustee or other fiduciary holding securities under an employee benefit plan of CIGNA Corporation or any of its Affiliates, (c) an underwriter temporarily holding securities pursuant to an offering of such securities, or (d) a corporation owned, directly or indirectly, by the stockholders of CIGNA Corporation in substantially the same proportions as their ownership of stock of CIGNA Corporation.

2.28 **“Plan”** — the CIGNA Long-Term Incentive Plan.

2.29 **“Prior Plan”** — the CIGNA Long-Term Incentive Plan as restated effective January 1, 2000 and as further amended and restated through January 1, 2008 and, unless otherwise provided under the terms of this Plan, the CIGNA Corporation Stock Plan as adopted effective May 1, 1991, and as amended thereafter.

2.30 **“Qualifying Plan”** — any Company bonus plan, short-term or long-term incentive compensation plan, any other incentive compensation arrangement or any supplemental retirement benefit plan that is not tax qualified under the Code. Except with respect to payment of Performance Shares or Units in the form of Common Stock, this Plan shall not be a Qualifying Plan.

2.31 **“Restatement Date”** – April 28, 2010, or, if later, the date Company shareholders approve this amended and restated Plan.

2.32 **“Restricted Period”** — the period during which Common Stock is subject to restrictions under Section 7.2.

2.33 **“Restricted Stock”** — Common Stock granted under Article 7 that remains subject to a Restricted Period.

2.34 **“Retirement”** — a Participant’s Termination of Employment, after appropriate notice to the Company, on or after a Participant has reached age 65 and attained at least five years of service (as determined under the elapsed time service counting rules applied by the Company to determine an employee’s total period of Company service using an adjusted service date) or upon such other terms and conditions approved by the Committee, or officers of the Company designated by the Board or the Committee.

2.35 **“SAR”** — a stock appreciation right granted under Article 6.

2.36 **“SEC”** — the Securities and Exchange Commission.

2.37 **“Strategic Performance Share”** or **“Performance Share”** — an amount of incentive opportunity available for award to a Participant for a specified Performance Period, with a value equal to the Fair Market Value of one share of Common Stock.

2.38 **“Strategic Performance Unit”** or **“Unit”** — the smallest amount of incentive opportunity available for award to a Participant for a specified Performance Period, with a target value of $75.00 per Unit unless a different target value is established by the Committee at the time a Unit award is made.

2.39 "Subsidiary" — any corporation of which more than 50% of the total combined voting power of all classes of stock entitled to vote, or other equity interest, is directly or indirectly owned by CIGNA Corporation; or a partnership, joint venture or other unincorporated entity of which more than a 50% interest in the capital, equity or profits is directly or indirectly owned by CIGNA Corporation; provided that such corporation, partnership, joint venture or other unincorporated entity is included in the Company's consolidated financial statements under generally accepted accounting principles.

2.40 "Termination for Cause" — a Termination of Employment initiated by the Company on account of the conviction of an employee of a felony involving fraud or dishonesty directed against the Company.

2.41 "Termination of Employment" — the termination of the Participant's employment relationship with the Company (unless otherwise expressly provided by the Committee) or a transaction by which the Participant's employing Company ceases to be a Subsidiary.

2.42 "Termination Upon a Change of Control" — a Termination of Employment upon or within two years after a Change of Control (a) initiated by the Company or a successor other than a Termination for Cause or (b) initiated by a Participant after determining in the Participant's reasonable judgment that there has been a material reduction in the Participant's authority, duties or responsibilities, any reduction in the Participant's compensation, or any change caused by the Company in the Participant's office location of more than 35 miles from its location on the date of the Change of Control.

2.43 "Vesting Percentage" — the ratio, determined by the Committee, of Performance Shares payable under Section 10.3 to Performance Shares granted under Section 10.1.

ARTICLE 3
Participation

3.1 Participation. An Eligible Employee who receives an authorized award under the Plan shall become a Participant upon receipt of the award.

3.2 Directors. Members of the Board who are not employed by the Company are not eligible to participate in the Plan.

ARTICLE 4
Authorized Incentive Awards

4.1 Authorized Awards. The Plan's authorized awards are: (a) Options (including Incentive Stock Options); (b) SARs; (c) Restricted Stock; (d) dividend equivalent rights; (e) Common Stock in lieu of cash or other awards payable under a Qualifying Plan; (f) Strategic Performance Shares; and (g) Strategic Performance Units.

4.2 General Powers of the Committee. Subject to the requirements of the Plan and Delaware law, the Committee may in its sole discretion select Participants, grant them any authorized awards in amounts and combinations, and upon terms and conditions, as it shall determine, and exercise any other authority granted to the Committee under the Plan. The Committee may delegate to the CEO or the CEO's designee any such authority; however, no power or authority delegated by the Committee under the Plan may be exercised (a) to affect the terms and conditions of an award made to anyone subject to the requirements of Section 16(a) of the Exchange Act or (b) as to matters reserved to the Board under the Delaware General Corporation Law.

4.3 General Powers of the CEO. Subject to the requirements of Delaware law, the CEO shall have the authority and discretion to select Participants and grant them any authorized awards in amounts and combinations and upon terms and conditions as the CEO shall determine, subject to the same limitations and provisions that apply under the Plan to the Committee, and also subject to the following:

(a) The CEO may not grant any awards to or for the benefit of (1) members of the Board or (2) anyone subject to the requirements of Exchange Act Section 16(a);

(b) The CEO must be a member of the Board when the CEO grants any award under the Plan and must be properly empowered by the Board to grant such award; and

(c) The total number of shares of Common Stock which may be issued pursuant to awards granted under this Section 4.3 is limited to a maximum of 10% of the number of shares of Common Stock authorized to be issued under the Plan.

4.4 Term Limit. No awards may be made under this Plan after December 31, 2019.

ARTICLE 5
Stock Options

5.1 General. Subject to any Plan limitations and provisions, the Committee may grant Options to Eligible Employees upon terms and conditions that it may establish, including restrictions on the right to exercise Options. However, no Option shall be exercisable by a Participant within one year after the Option grant date, except as provided under the Plan or the terms of the Option grant upon a Participant's Termination of Employment due to death, Disability, Early Retirement or Retirement or a Participant's Termination Upon a Change of Control.

5.2 Option Price. The exercise price per share of any Option shall not be less than the Fair Market Value on the grant date. The Option price may be paid in cash or, if the Committee so provides, in Common Stock. Common Stock used to pay the Option price shall be valued using the Fair Market Value on the Option exercise date.

5.3 Maximum Term. No Expiration Date shall be more than 10 years after the Option grant date. Under Section 5.5, an Option may expire earlier than the Expiration Date specified in the Option grant.

5.4 Leave of Absence. Unless otherwise expressly provided by the Committee, no Option may be exercised during a leave of absence except to the extent exercisable immediately before the start of the leave. Termination of Employment during a leave of absence shall be treated under Section 5.5 the same as Termination of Employment during a period of active employment.

5.5 Expiration of Options.

(a) Except as provided elsewhere in Section 5.5, any outstanding Option held by a Participant at Termination of Employment shall expire on the date of Termination of Employment.

(b) Any outstanding Option held by a Participant at Termination Upon a Change of Control shall:

(1) Become exercisable no later than the date of the Participant's Termination of Employment to the extent not already exercisable; and

(2) Expire on the earlier of 3 months from the date of Termination of Employment or the Expiration Date.

(c) Any outstanding Option held by a Participant at Termination of Employment due to death, Disability, Early Retirement or Retirement shall become or remain exercisable in accordance with the terms and conditions established by the Committee at the time of grant.

5.6 No Repricing; No Automatic Option Grants (Reloads). Without prior approval of CIGNA Corporation shareholders, the Committee may not:

(a) Cancel a previously granted Option and grant a replacement Option if the new Option exercise price is lower than that of the canceled Option;

(b) Provide for any automatic grant of a new Option upon a Participant's exercise of any Option granted under the Plan;

(c) Except in connection with a corporate transaction involving CIGNA Corporation (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), (i) amend the terms of an Option to reduce the Option exercise price, or (ii) to the extent the exercise price of an Option exceeds the Fair Market Value of a share of Common Stock, cancel, exchange, substitute, buyout or surrender an outstanding Option in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original Option; or

(d) Take any other action that could constitute a repricing.

5.7 Incentive Stock Options. The following terms and conditions shall apply to any Options granted under the Plan that are identified as Incentive Stock Options.

(a) Incentive Stock Options may be granted only to Eligible Employees who are employed by CIGNA Corporation or a corporation that is either a direct Subsidiary or an indirect Subsidiary through an unbroken chain of corporations.

(b) No Incentive Stock Option may be granted after December 31, 2019.

(c) No Incentive Stock Option may be granted to any person who, at the time of grant, owns (or is deemed to own under Code Section 424(d)) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of CIGNA Corporation or a Subsidiary, unless the Option exercise price is at least 110% of the Fair Market Value on the grant date of the stock subject to the Option and the Option by its terms is not exercisable after the expiration of five years after the Option grant date.

(d) To the extent that the aggregate Fair Market Value of stock with respect to which the Incentive Stock Options first become exercisable by a Participant in any calendar year exceeds $100,000 (taking into account both Common Stock subject to the Incentive Stock Options under this Plan and stock subject to Incentive Stock Options under all other Company plans, if any), such Options shall be treated as Nonqualified Options. For this purpose the Fair Market Value of the stock subject to Options shall be determined as of the date the Options were awarded. In reducing the number of options treated as Incentive Stock Options to meet the $100,000 limit, the most recently granted Options shall be reduced first. To the extent a reduction of simultaneously granted Options is necessary to meet the $100,000 limit, the Committee may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an Incentive Stock Option.

(e) Any grant of Incentive Stock Options shall include whatever terms and conditions are required to meet the requirements of Code Section 422.

ARTICLE 6
Stock Appreciation Rights

6.1 General. Subject to any Plan limitations and provisions, the Committee may grant SARs to Eligible Employees upon terms and conditions it may establish, including restrictions on the right to exercise SARs. However, no SAR shall be exercisable by a Participant within one year after the SAR grant date, except as provided under the Plan or the terms of the SAR grant upon a Participant's Termination of Employment due to death, Disability, Early Retirement or Retirement or a Participant's Termination Upon a Change of Control.

6.2 Maximum Term. No SAR shall be exercisable more than 10 years after the SAR grant date. Under Section 6.5, an SAR may expire earlier than the expiration date specified in the SAR grant.

6.3 SAR Exercise. The SAR shall entitle the Participant to receive upon exercise of the SAR, without payment to the Company, a whole number of shares of Common Stock determined by multiplying (a) and (b) and dividing the result by (c):

(a) Total number of shares subject to the SAR that the Participant designates for SAR exercise, up to the maximum number available for exercise as of the SAR exercise date;

(b) Excess of (1) the Fair Market Value of a share of Common Stock on the SAR exercise date over (2) the Fair Market Value of a share of Common Stock on the grant date of the SAR; and

(c) Fair Market Value of a share of Common Stock on the SAR exercise date.

Any fractional share of Common Stock resulting from this calculation shall be ignored.

The Committee may provide that, instead of issuing shares upon the SAR exercise, the Company shall pay cash equal to the Fair Market Value, on the SAR exercise date, of some or all the shares that would otherwise be issued upon the SAR exercise.

Upon exercise of an SAR, the number of shares that the Participant designates for exercise will be subtracted from the number of shares available under the SAR immediately before the SAR exercise to determine the remaining number of shares, if any, that the Participant may designate for any future exercise of the SAR.

6.4 Leave of Absence. Unless otherwise expressly provided by the Committee, no SAR may be exercised during a leave of absence except to the extent exercisable immediately before the start of the leave. Termination of Employment during a leave of absence shall be treated under Section 6.5 the same as Termination of Employment during a period of active employment.

6.5 Expiration of SARs.

(a) Except as provided elsewhere in Section 6.5, any outstanding SAR held by a Participant at Termination of Employment shall expire on the date of Termination of Employment.

(b) Any outstanding SAR held by a Participant at Termination Upon a Change of Control shall:

  (1) Become exercisable no later than the date of the Participant's Termination of Employment to the extent not already exercisable; and

  (2) Expire on the earlier of 3 months from the date of Termination of Employment or the SAR Expiration Date.

(c) Any outstanding SAR held by a Participant at Termination of Employment due to death, Disability, Early Retirement or Retirement shall become or remain exercisable in accordance with the terms and conditions established by the Committee at the time of grant.

6.6 No Repricing; No Automatic SAR Grants (Reloads). Without prior approval of CIGNA Corporation shareholders, the Committee may not:

(a) Cancel a previously granted SAR and grant a replacement SAR if the Fair Market Value on date of grant of the new SAR is lower than the Fair Market Value on date of grant of the canceled SAR;

(b) Provide for any automatic grant of a new SAR upon a Participant's exercise of any SAR granted under the Plan;

(c) Except in connection with a corporate transaction involving CIGNA Corporation (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of shares), (i) amend the terms of an SAR to reduce the SAR exercise price, or (ii) to the extent the exercise price of an SAR exceeds the Fair Market Value of a share of Common Stock, cancel, exchange, substitute, buyout or surrender an outstanding SAR in exchange for cash, other awards or Options or SARs with an exercise price that is less than the exercise price of the original SAR; or

(d) Take any other action that could constitute a repricing.

ARTICLE 7
Restricted Stock Grants

7.1 General. Subject to any limitations and provisions in the Plan, the Committee may grant Restricted Stock to Eligible Employees upon terms and conditions it may establish. The consideration for a Restricted Stock grant may be solely in the form of the recipient's services rendered to the Company, or it may be any other lawful form of consideration the Committee may determine.

7.2 Restricted Period. Except as provided below, Restricted Stock shall not be sold, transferred, assigned, pledged or otherwise disposed of by the Participant during the Restricted Period established by the Committee. The Committee may establish different Restricted Periods and different restriction terms for shares contained in a single Restricted Stock grant. No more than 5% of the Restricted Stock granted under the Plan shall have a Restricted Period less than three years.

7.3 Performance Conditions. The Committee may grant Restricted Stock that is subject to performance conditions, as follows:

(a) Restricted Stock may automatically be forfeited to the Company at the end of the Restricted Period unless, and to the extent that, the Company meets specified Performance Objectives; or

(b) The Restricted Period applicable to Restricted Stock may end earlier if, and to the extent that, the Company meets specified Performance Objectives, but no earlier than one year after the date of grant.

If the Committee grants Restricted Stock subject to performance conditions, at the time of grant the Committee shall establish in writing the applicable Performance Measures, Performance Objectives, vesting schedule and, if the Performance Objectives require comparing the Company's financial results to those of a Peer Group, the composition of the Peer Group. To the extent required by Code Section 162(m), before the vesting of any Restricted Stock subject to performance conditions, the Committee shall certify in writing that the Performance Objectives established at time of grant have been met. The Committee may establish different performance conditions for shares contained in a single Restricted Stock grant. No Eligible Employee may receive more than 450,000 shares of Restricted Stock with performance conditions during any calendar year. In the event of a stock dividend, stock split, or other subdivision or combination of the Common Stock, effective as the date of such dividend, split, subdivision or combination, the maximum number of shares of Restricted Stock that may be awarded in any calendar year shall be adjusted proportionately in accordance with Section 12.1.

7.4 Issuance; Voting Rights; Dividends. Restricted Stock granted to a Participant shall be issued by the Company as of the date of the grant. During the Restricted Period, the Participant shall be entitled to vote the shares. The Committee may provide for the current or deferred payment, as described below, of dividends on shares of Restricted Stock to the holders of such shares. Unless the Committee (or CEO) provides in the applicable Restricted Stock grant document at the time of grant that dividend payments are to be deferred, such payments will be made at least annually in each year that the Restricted Stock is outstanding in an amount equal to the number of shares of outstanding Restricted Stock multiplied by the amount of any dividend declared and paid on one share of Common Stock in that year, to the extent the Restricted Stock is outstanding on each such dividend record date. Restricted Stock shall be considered outstanding for this purpose until the earlier of the lapse of the applicable Restricted Period or the date the Restricted Stock is forfeited under the terms of the Plan. If the Committee (or CEO) provides that dividend payments are to be deferred, the Committee (or CEO) shall specify in the grant document the time and form of payment of the deferred dividends in a manner that complies with the requirements of Code Section 409A and the regulations thereunder. Shares issued as a result of stock dividends, splits or reclassifications, to the extent the issued shares relate to Restricted Stock, shall be subject to the same limitations, restrictions and provisions that are applicable to the related Restricted Stock.

7.5 Termination of Employment.

(a) Except as provided below, Restricted Stock (and all related rights) held by a Participant at Termination of Employment during a Restricted Period shall be forfeited to the Company immediately upon Termination of Employment (unless otherwise expressly provided by the Committee).

(b) If a Participant's Termination of Employment during a Restricted Period is due to Early Retirement or Retirement, the Committee or its designee (in the sole discretion of either) may provide before the Participant's Termination of Employment that the Restricted Period applicable to any Restricted Stock (other than Restricted Stock granted pursuant to Section 7.3(a)) held by the Participant shall lapse immediately upon the Participant's Termination of Employment.

(c) If a Participant's Termination of Employment during a Restricted Period is a Termination Upon a Change of Control or is due to death or Disability, the Restricted Period applicable to any Restricted Stock held by the Participant shall lapse immediately on date of Termination of Employment.

7.6 Leave of Absence. The Committee shall determine the effect of approved leaves of absence on applicable Restricted Periods. No Restricted Period, however, may lapse during an approved leave of absence unless expressly provided by the Committee.

ARTICLE 8
Dividend Equivalent Rights

8.1 General. Subject to the limitations and provisions of the Plan, the Committee may grant dividend equivalent rights to Eligible Employees upon terms and conditions it may establish. The consideration for stock issued pursuant to dividend equivalent rights may be solely in the form of the recipient's services rendered to the Company, or it may be any other lawful form of consideration as the Committee may determine.

8.2 Rights and Options, SARs, Performance Shares or Units. No dividend equivalent rights may be granted with respect to any Option, SAR, Strategic Performance Share or Strategic Performance Unit granted under the Plan.

8.3 Nature of Rights. The right shall entitle a holder to receive, for a period of time determined by the Committee and specified in the applicable grant document at the time of grant of such right, a payment or payments, as described in Section 8.4.

8.4 Payments. The Committee shall determine at time of grant whether payment pursuant to a right shall be made in cash or Common Stock, or a combination of both. Unless the Committee (or CEO) provides in the applicable grant document that payments are to be deferred, payments will be made at least annually in each year that the right is outstanding in an amount equal to the number of outstanding rights multiplied by the amount of any dividend declared and paid on one share of Common Stock in that year, to the extent the right is outstanding on each such dividend record date. A dividend equivalent right shall cease to be outstanding on the earlier of the end of the time period specified by the Committee in the applicable grant document or the date such right is forfeited under the terms of the Plan. If the Committee (or CEO) provides that the payments are to be deferred, the Committee (or CEO) shall specify in the grant document the time and form of payment in a manner that complies with the requirements of Code Section 409A and the regulations thereunder.

8.5 Termination of Employment. Any dividend equivalent right held by a Participant at Termination of Employment for any reason shall be forfeited to the Company immediately upon Termination of Employment, unless otherwise expressly provided by the Committee.

ARTICLE 9
Common Stock in Place of Other Awards

9.1 General. The Committee may grant an Eligible Employee Common Stock instead of all or a portion (determined by the Committee) of an award otherwise payable under a Qualifying Plan. The grant shall be for a number of shares of Common Stock that have an aggregate Fair Market Value, determined as of the Payment Date, that most closely approximates, but does not exceed, the dollar amount of the award being replaced by the Common Stock if made in cash.

9.2 Death; Termination of Employment. Unless the Committee, in its sole discretion, provides otherwise, a Common Stock grant approved under Section 9.1 for a Participant whose Termination of Employment occurs before the Payment Date shall still be granted. If the reason for Termination of Employment is the Participant's death, however, the Common Stock grant shall automatically be canceled, and the award payment shall be made in accordance with the terms of the Qualifying Plan.

9.3 Deferral of Payments. A Common Stock grant approved under Section 9.1 shall be deferred if the Participant had made a timely election to defer the underlying award under a Deferred Compensation Plan, subject to the provisions of the Deferred Compensation Plan and Code Section 409A, if applicable. Common Stock that would have been issued but for deferral under this provision shall be issued under this Plan at the end of the deferral period.

ARTICLE 10
Strategic Performance Units; Strategic Performance Shares

10.1 Award of Units and Shares.

(a) The Committee may in its sole discretion grant Strategic Performance Shares, Strategic Performance Units or both to Eligible Employees selected for participation for a Performance Period.

(b) The Committee, the CEO or the CEO's designee may grant Strategic Performance Shares (subject to the requirements of Delaware law), Strategic Performance Units, or both to a person who becomes an Eligible Employee during a Performance Period as long as any such grant made by the CEO or the CEO's designee is (1) in accordance with guidelines approved by the Committee or (2) subject to ratification by the Committee before any resulting Payment is made.

(c) During any calendar year an Eligible Employee may receive no more than 500,000 Performance Shares or 250,000 Units. When an Eligible Employee receives a combination of Performance Shares and Units, each Unit awarded shall reduce the maximum number of awardable Performance Shares by two and every two Performance Shares awarded shall reduce the maximum number of awardable Units by one. That is, the Performance Shares-to-Units parity ratio shall be 2 to 1. For example, if an Eligible Employee is awarded 50,000 Units in a calendar year, the maximum number of awardable Performance Shares the Eligible Employee could receive for that year is 400,000.

(d) In the event of a stock dividend, stock split, or other subdivision or combination of the Common Stock, effective as the date of such dividend, split, subdivision or combination, the maximum number of Performance Shares that may be awarded in any calendar year, and the Performance Shares-to-Units parity ratio described in Section 10.1(c), shall be adjusted proportionately in accordance with Section 12.1.

10.2 Performance Goals; Financial Measures. When the Committee grants Performance Shares or Units for a particular Performance Period, it shall:

(a) Establish in writing the Performance Objectives and the Performance Measures applicable to the Performance Period;

(b) Determine the length of the Performance Period and, if the Performance Objectives require comparing the Company's financial results to those of a Peer Group, the composition of the Peer Group; and

(c) Determine the formula or method for determining the Vesting Percentage for Performance Shares and the value of Units.

10.3 Vesting Percentage; Value of Units. After the close of the Performance Period, the Committee will determine the preliminary Vesting Percentage and/or Unit value based on the applicable formula or method under Section 10.2(c). The preliminary Vesting Percentage and/or Unit value may be adjusted downward by the Committee based upon the Committee's evaluation of CIGNA Corporation's strategic accomplishments over the Performance Period. The final Vesting Percentage shall not exceed 200%, and the final Unit value shall not exceed $200.00. To the extent required by Code Section 162(m), before Payment of any Performance Share or Unit, the Committee shall certify in writing that the Vesting Percentage or Unit value for the Performance Period is based on the attainment of the pre-established Performance Objectives for the Performance Period.

10.4 Performance Share or Unit Payment.

(a) After the Committee has determined the Vesting Percentage or Unit value for a Performance Period and subject to Sections 10.5 and 10.6, the Company shall make Payments to Participants to whom Performance Shares or Units were granted for the Performance Period.

(b) Payment to a Participant for a grant of Performance Shares shall equal (1) the number of Performance Shares granted to the Participant multiplied by (2) the Vesting Percentage determined under Section 10.3. This product shall be multiplied by the Fair Market Value of Common Stock on the date the Committee determines the Vesting Percentage, to the extent the Committee provides for payment of Performance Shares in cash.

(c) Payment to a Participant for a grant of Units shall equal the number of Units granted to the Participant multiplied by the Unit value determined under Section 10.3.

(d) Notwithstanding the above, the Committee in its sole discretion may reduce the amount of any Payment to any Participant or eliminate entirely the Payment to any Participant. The Committee's authority under this Section 10.4(d) shall expire immediately upon a Change of Control.

10.5 Eligibility for Payments.

(a) Except as described in Section 10.5(b), (c) and (d), a Participant shall be eligible to receive a Payment for a Performance Period under Section 10.4 only if the Participant has been employed by the Company continuously from the date of Participant's grant of Performance Shares and/or Units through the date of Payment.

(b) For the purposes of this Section 10.5, a leave of absence of less than three months' duration with the approval of the Company is not considered to be a break in continuous employment. In the case of a leave of absence of three months or longer, the Committee shall determine whether or not the leave of absence constitutes a break in continuous employment for purposes of a Payment.

(c) If the employment of a Participant is terminated by reason of Early Retirement, Retirement, death or Disability after receipt of a Performance Share or Unit grant, but before the related Payment is made, the Committee or its designee shall determine whether a Payment under Section 10.4 shall be made to or on behalf of such Participant, and whether the Payment, if made, shall be in full or prorated based on factors determined in the sole discretion of the Committee or its designee. Any such Payment shall be made to the Participant or the Participant's estate in accordance with Section 10.6.

(d) In the event of a Participant's Termination Upon a Change of Control, all of the Participant's outstanding Performance Share and Units as of the date of the Participant's Termination Upon a Change of Control shall be paid in accordance with Section 10.6.

(e) In the case of Units described in Section 10.5(d), the value of each Unit shall be the greatest of:

(1) The Unit target value;

(2) The highest value established by the Committee for any Unit Payments made to any Participants during the twelve-month period immediately preceding the date of Participant's Termination Upon a Change of Control; or

(3) The average of the highest values established by the Committee for the last two Unit Payments made to any Participants before the Participant's Termination Upon a Change of Control.

(f) In the case of Performance Shares described in Section 10.5(d), the applicable Vesting Percentage shall be the greatest of:

(1) 100%;

(2) The Vesting Percentage for the Performance Period that ended immediately before the Participant's Termination Upon a Change of Control; or

(3) The average of the Vesting Percentages established by the Committee for the last two Performance Periods that ended before the Participant's Termination Upon a Change of Control.

10.6 Time and Form of Payment.

(a) Unless otherwise provided at the time of award, Payments shall be made in the year following the close of the Performance Period. Payments shall be made in a single lump sum in the form of cash, shares of Common Stock, or a combination of these forms of Payment, as determined by the Committee in its sole discretion.

(b) If a Payment is made wholly or partially in shares of Common Stock, the Payment shall be made in a number of whole shares. That number of shares shall have an aggregate Fair Market Value that most closely approximates, but does not exceed, the dollar amount of the Payment if made in cash.

ARTICLE 11
Shares Authorized under the Plan

11.1 Maximum Number Authorized.

(a) The number of shares of Common Stock that, prior to the Restatement Date, were authorized to be issued pursuant to Options, SARs, rights, grants or other awards under the Prior Plan is (a) 75 million shares under the CIGNA Long-Term Incentive Plan, plus (b) any shares remaining on April 27, 2005 of the 30 million shares authorized under the CIGNA Corporation Stock Plan.

(b) The number of shares of Common Stock authorized to be issued pursuant to Options, SARs, rights, grants or other awards made under this Plan from and after the Restatement Date shall be 6.6 million shares plus the number of:

(1) shares reserved for issuance upon exercise of Options granted under Prior Plans, to the extent the Options are outstanding on March 5, 2010, and subsequently expire or are canceled or surrendered;

(2) shares reserved for issuance under Article 9 upon vesting of restricted stock units granted under Qualifying Plans, to the extent the restricted stock units are outstanding on March 5, 2010, and subsequently expire or are canceled or surrendered; and

(3) shares of Restricted Stock granted under Prior Plans, to the extent the applicable Restricted Period has not expired as of March 5, 2010 and the Restricted Stock is subsequently forfeited under Section 7.5 or is otherwise surrendered to the Company before the Restricted Period expires.

However, shares granted, or reserved prior to April 27, 2005 for issuance, under the CIGNA Corporation Stock Plan shall not be included among the shares authorized under paragraphs (1), (2) and (3) above to be issued from and after the Restatement Date.

(c) Prior to the Restatement Date, the maximum aggregate number of shares that could be issued as Incentive Stock Options was 30 million. The maximum aggregate number of shares that may be issued as Incentive Stock Options under this Plan from and after the Restatement Date is 2 million.

(d) Prior to the Restatement Date, no more than nine million shares could be awarded or granted, from and after April 27, 2005, under Articles 7, 8, 9 and 10 in the form of Common Stock. Effective as of the Restatement Date, the preceding limit shall be replaced by the share counting rules under Section 11.3(a).

11.2 Maximum Number Per Participant. The aggregate number of shares of Common Stock subject to Options and SARs that may be granted during any calendar year to any individual shall be limited to 1 million.

11.3 Share Counting.

(a) Subject to the other provisions of Section 11.3, the following rules shall apply in determining whether shares of Common Stock remain available for issuance under Section 11.1(a) of the Plan.

(1) Each share reserved for issuance upon exercise of any Option or SAR granted under the Plan shall reduce the number of remaining authorized shares by one, provided that an SAR that may be settled only in cash shall not reduce the number of authorized shares.

(2) Each share of Common Stock awarded under Articles 7, 8, 9 or 10 of the Plan, up to the Applicable Limit (described below in Section 11.3(a) (4)), shall reduce the number of authorized shares by one.

(3) Each share of Common Stock awarded under Articles 7, 8, 9 or 10 of the Plan in excess of the Applicable Limit shall reduce the number of authorized shares by one and one-half.

(4) The "Applicable Limit" is 2.8 million shares plus any shares described in Section 11.1(b)(2) and (3).

(b) The following shall not reduce the number of authorized shares of Common Stock available for issuance under this Plan:

(1) Common Stock reserved for issuance upon exercise or settlement, as applicable, of awards granted under the Plan, to the extent the awards expire or are canceled or surrendered;

(2) Restricted Stock granted under the Plan, to the extent such Restricted Stock is forfeited under Section 7.5 or is otherwise surrendered to the Company before the Restricted Period expires;

(3) Common Stock reserved, upon the grant of restricted stock units under any Qualifying Plans, for issuance under Article 9 when such restricted stock units vest, to the extent the restricted stock units are forfeited, canceled or surrendered; and

(4) Awards, to the extent the payment is actually made in cash.

(c) The following shares shall not become available for issuance under the Plan:

(1) Shares tendered by Participants as full or partial payment to the Company upon exercise of Options granted under this Plan;

(2) Shares reserved for issuance upon grant of SARs, to the extent the number of reserved shares exceeds the number of shares actually issued upon exercise of the SARs; and

(3) Shares withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the lapse of restrictions on Restricted Stock or the exercise of Options or SARs granted under the Plan or upon any other payment or issuance of shares under the Plan.

11.4 No Fractional Shares. No fractional shares of Common Stock shall be issued, accepted as payment of an Option exercise price or remitted to meet tax-withholding obligations under the Plan.

11.5 Source of Shares. Common Stock may be issued from authorized but unissued shares or out of shares held in CIGNA Corporation's treasury, or both.

ARTICLE 12
Antidilution Provisions

Except as expressly provided under the Plan, the following provisions shall apply to all shares of Common Stock (including Restricted Stock) authorized for issuance and all Options and SARs granted under the Plan:

12.1 Stock Dividends, Splits, Etc. In the event of a stock dividend, stock split, or other subdivision or combination of the Common Stock:

(a) The number of authorized shares of Common Stock, and any numerical share limits, under the Plan will be adjusted proportionately; and

(b) There will be a proportionate adjustment in: the number of shares of Common Stock subject to unexercised stock Options and SARs; the per share Option and SAR exercise price (but without adjustment to the aggregate Option or SAR exercise price); the number of shares of Restricted Stock outstanding; and the number of Strategic Performance Shares outstanding.

12.2 Merger, Exchange or Reorganization. If the outstanding shares of Common Stock are changed or converted into, exchanged or exchangeable for, a different number or kind of shares or other securities of CIGNA Corporation or of another corporation, by reason of a reorganization, merger, consolidation, reclassification or combination (an "Event"), appropriate adjustment shall be made by the Committee in the number of shares and kind of Restricted Stock and Common Stock for which Options, SARs and other rights may be or may have been awarded under this Plan, so that the proportionate interests of Participants shall be maintained as before the Event. However, in case of any contemplated Event which may constitute a Change of Control, the Committee, with the approval of a majority of the members of the Board who are not then Participants, may modify any and all outstanding Restricted Stock, Options and SARs, so as to accelerate, as a consequence of or in connection with the Event, the vesting of a Participant's right to exercise any such Options or SARs or the lapsing of the Restricted Periods for shares of Restricted Stock, provided that such accelerated vesting shall occur only if a Change of Control is actually consummated.

12.3 No New Grant. No adjustment to an Option or SAR shall be made under this Article 12 in a manner that will be treated under Code Section 409A as the grant of a new Option or SAR.

ARTICLE 13
Administration of Plan

13.1 General Administration. The Plan shall be administered by the Committee, subject to any requirements for review and approval by the Board that the Board may establish.

13.2 Administrative Rules. The Committee shall have full power and authority to adopt, amend and rescind administrative guidelines, rules and regulations relating to this Plan, to interpret the Plan and to rule on any questions relating to any of its provisions, terms and conditions.

13.3 Committee Members Not Eligible. No member of the Committee shall be eligible to participate in this Plan.

13.4 Decisions Binding. All decisions of the Committee concerning this Plan shall be binding on CIGNA Corporation and its Subsidiaries and their respective boards of directors, and on all Eligible Employees, Participants and other persons claiming rights under the Plan.

ARTICLE 14
Amendments

14.1 General Provisions. All amendments to this Plan shall be in writing and shall be effective when approved by the Board, except that a Plan amendment shall not be effective without the prior approval of CIGNA Corporation shareholders if necessary under Internal Revenue Service or SEC regulations, or the rules of the New York Stock Exchange or any applicable law. Unless otherwise expressly provided by an amendment or the Board, no amendment to this Plan shall apply to any Plan awards made before the effective date of the amendment. A Participant's rights under any Plan grants or awards, including any rights under paragraph 10.5(d), and a transferee's rights relating to any transferred derivative securities, may not be abridged by any amendment, modification or termination of the Plan without the Participant's individual consent.

14.2 Compliance with Code Section 409A. To the extent that a benefit under the Plan is subject to the requirements of Code section 409A, it is intended that the Plan, as applied to that benefit, comply with the requirements of Code section 409A, and the Plan shall be so administered and interpreted. The Board or Committee may make any changes required to conform the Plan and any Option agreements or other grants with applicable Code provisions and regulations relating to Incentive Stock Options or to deferral of compensation under Code Section 409A.

ARTICLE 15
Other Provisions

15.1 Effective Date. The Plan as amended and restated is effective as of the Restatement Date.

15.2 Duration of the Plan. The Plan shall remain in effect until all Options and rights granted under the Plan have been satisfied by the issuance of Common Stock or terminated under the terms of this Plan, all Restricted Periods applicable to Restricted Stock granted under the Plan have lapsed, and all Performance Periods related to Performance Shares and Units granted under the Plan have expired, and all related Performance Share or Unit Payments have been made.

15.3 Early Termination. Notwithstanding Section 15.2, the Board may terminate this Plan at any time; but no such action by the Board shall adversely affect the rights of Participants which exist under this Plan immediately before its termination.

15.4 General Restriction. No Common Stock issued pursuant to this Plan shall be sold or distributed by a Participant until all appropriate listing, registration and qualification requirements and consents and approvals have been obtained, free of any condition unacceptable to the Board. In no event shall the value, amount or form of consideration for any award under the Plan be less than the value or amount, or in other than the form, required by applicable Delaware law.

15.5 Awards Not Assignable.

(a) No derivative security (as defined in rules promulgated under Exchange Act Section 16), including any right to receive Common Stock (such as Options, SARs or similar rights), or any Strategic Performance Shares or Strategic Performance Units, or any right to payment under the Plan, shall be assignable or transferable by a Participant except by will or by the laws of descent and distribution. Any other attempted assignment or alienation shall be void and of no force or effect. Any right to receive Common Stock or any other derivative security (including Options, SARs or similar rights) shall be exercisable during a Participant’s lifetime only by the Participant or by the Participant’s guardian or legal representative.

(b) Notwithstanding Section 15.5(a), the Committee shall have the authority, in its discretion, to grant (or to sanction by way of amendment of an existing grant) derivative securities (other than Incentive Stock Options) that may be transferred without consideration by the Participant during the Participant's lifetime to any member of the Participant's immediate family, to a trust established for the exclusive benefit of one or more members of the Participant's immediate family, to a partnership of which the only partners are members of the Participant's immediate family, or to such other person as the Committee shall permit. In the case of a grant, the written documentation containing the terms and conditions of such derivative security shall state that it is transferable, and in the case of an amendment to an existing grant, such amendment shall be in writing. A derivative security transferred as contemplated in this Section 15.5(b) may not be subsequently transferred by the transferee except by will or the laws of descent and distribution and shall continue to be governed by and subject to the terms and limitations of the Plan and the relevant grant. The Committee, in its sole discretion at the time the transfer is approved, may alter the terms and limitations of the relevant grant and establish such additional terms and conditions as it shall deem appropriate. As used in this subparagraph, "immediate family" shall mean, as to any person, a current or former spouse or domestic partner (as defined under the CIGNA 401(k) Plan), any child, stepchild or grandchild, and shall include relationships arising from legal adoption.

15.6 Withholding Taxes. Upon the exercise of any Option or SAR, the vesting of any Restricted Stock, or payment of any award described in Section 4.1(d), (e), (f) or (g), or upon the exercise of an Incentive Stock Option prior to the satisfaction of the holding period requirements of Code Section 422, the Company shall have the right at its option to:

(a) require the Participant (or personal representative or beneficiary) to remit an amount sufficient to satisfy applicable federal, state and local withholding taxes; or

(b) deduct from any amount payable the amount of any taxes the Company may be required to withhold because of the transaction.

The Committee may require or permit the Participant to remit all or part of the required withholding amount in Common Stock (other than Restricted Stock). The remitted Common Stock may be shares deliverable to the Participant because of the transaction giving rise to the withholding obligation (in which case the number of shares of Common Stock delivered to a Participant shall be reduced by the number of shares so remitted) or shares the Participant has owned without restriction for at least six months as of the date the withholding obligation arises. If the Committee permits a Participant to elect to remit Common Stock, the election shall be made on or before the date the withholding obligation arises and be subject to the disapproval of the Committee. The Committee may establish any additional conditions it deems appropriate. The value of any remitted Common Stock shall be its Fair Market Value as of the date the withholding obligation arises.

15.7 Book Entry; Certificates. A book entry shall be made in the electronic share ownership records maintained by the Company or the Company's transfer agent as evidence of the issuance of Common Stock to a Participant (or beneficiary) upon a Restricted Stock grant, the exercise of an Option or any other grant or payment of Common Stock under the Plan. The Company or its transfer agent shall deliver to any Participant (or beneficiary), upon the Participant's (or beneficiary's) request and subject to the Participant's (or beneficiary's) compliance with applicable administrative procedures the Company or its transfer agent may establish, a certificate for any of the shares evidenced by book entry. A certificate for Restricted Stock, however, will not be delivered until the applicable Restricted Period has expired.

15.8 Participant's Rights Unsecured. The right of any Participant to receive future payments under the provisions of the Plan shall be an unsecured claim against the general assets of the Company.

15.9 Future Award Not Guaranteed. Any award to a Participant described in Section 4.1 is not intended to be, or to be construed as, a right to receive another award at any later time.

15.10 Termination of Employment. The Company retains the right to terminate the employment of any employee at any time for any reason or no reason, and an award or grant under the Plan to an Eligible Employee is not, and shall not be construed in any manner to be, a waiver of that right.

15.11 Successors. Any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of CIGNA Corporation, shall assume the liabilities of CIGNA Corporation under this Plan and perform any duties and responsibilities in the same manner and to the same extent that CIGNA Corporation would be required to perform if no such succession had taken place.

15.12 Construction. The terms used in this Plan shall include the feminine as well as the masculine gender and the plural as well as the singular, as the context in which they are used requires.

15.13 Interpretation. All statutory or regulatory references in this Plan shall include successor provisions.

15.14 Controlling Law. This Plan shall be construed and enforced according to the laws of the Commonwealth of Pennsylvania, without regard to Pennsylvania conflict of laws rules, to the extent not preempted by federal law, which shall otherwise control.

Exhibit 10.3

CIGNA CORPORATION
DIRECTORS EQUITY PLAN

Article 1. Establishment and Purposes

1.1 Purpose. The CIGNA Corporation Directors Equity Plan (the "Plan") is intended to (a) encourage ownership of the Company's common stock by members of the Board of Directors of the Company (the "Board") who are not employees or officers of the Company and thereby align such directors' interests more closely with the interests of the shareholders of the Company, and (b) enhance the Company's ability to attract and retain directors of outstanding competence.

1.2 Establishment. CIGNA Corporation has adopted this CIGNA Corporation Directors Equity Plan, effective as of [January 1, 2010] (the "Effective Date"), subject to stockholder approval.

Article 2. Definitions

Whenever used herein, the following terms shall have the meanings set forth below, and, when the defined meaning is intended, the term is capitalized:

2.1 "Administrator" means the Board or any committee or subcommittee authorized to administer the Plan pursuant to Section 3.1.

2.2 "Award" means any Shares, Deferred Stock Units, Restricted Stock, Restricted Stock Units or Stock Options granted to a Participant pursuant to the provisions of the Plan. Stock Options granted pursuant to the Plan do not qualify as incentive stock options under Section 422 of the Code.

2.3 "**Award Agreement**" means a written or electronic document or agreement setting forth the terms and conditions of a specific Award. An Award Agreement (including any amendment thereto) may be in the form of an agreement to be executed by both the Participant and the Company (or an authorized representative of the Company) or terms, certificates, program documents, notices or similar instruments as approved and designated as being an Award Agreement (or amendment or portion thereof) by the Administrator.

2.4 "Board Fees" means annual retainer fees payable to a Director at such rate as shall be established by the Board from time to time for serving as a member of the Board and, if and to the extent provided by the Administrator, may include fees payable to a Director for serving as Board chair or vice-chair and/or as chair, vice-chair or member of a committee of the Board.

2.5 "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.6 "Common Stock" means the common stock, par value $0.25 per share, of the Company.

2.7 "Company" means CIGNA Corporation, a Delaware corporation, and any successors or companies into which CIGNA Corporation may merge.

2.8 "Deferred Compensation Plan" means the Deferred Compensation Plan of 2005 for Directors of CIGNA Corporation (effective January 1, 2005), or any successor plan.

2.9 "Deferred Stock Unit" or **"DSU"** means a unit that represents a right to receive one Share, or a cash payment equal to the Fair Market Value of one Share.

2.10 "Director" means a member of the Board who is neither an employee nor an officer of the Company.

2.11 "Equity Grant" means an award of Common Stock or Deferred Stock Units.

2.12 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.13 "Fair Market Value" means, unless the Administrator provides otherwise, as of any date, the closing price of a share of Common Stock as reported on the Composite Tape (or any method of publishing stock prices determined by the Administrator) as of the close of the regular trading session on the New York Stock Exchange. If the Composite Tape (or any alternative source) is not published on that date, the determination will be made on the next preceding date of publication. In the absence of reported Common Stock sales, the Administrator will determine Fair Market Value by taking into account all facts and circumstances the Administrator deems relevant, subject to the requirements of Code Section 409A.

2.14 "Participant" means any person who is eligible for an Award under the Plan in consideration for his or her service as a Director.

2.15 "Restricted Stock" means an award of Shares made under the Plan, the grant, issuance, retention, vesting and/or transferability of which is subject to such conditions as are expressed in an Award Agreement.

2.16 "Restricted Stock Unit" or **"RSU"** means an award granted to a Participant pursuant to which Shares or cash in lieu thereof may be issued in the future on such terms and conditions as are specified in or determined pursuant to an Award Agreement.

2.17 "Share" means a share of Common Stock, subject to adjustment as provided in Section 7.2.

2.18 "Stock Option" means a right granted under the Plan to purchase a number of Shares at such exercise price, at such times, and on such other terms and conditions as are specified in or determined pursuant to an Award Agreement.

2.19 “Year” means a calendar year.

Article 3. Administration

3.1 Administrator of the Plan. The Plan shall be administered by the full Board. Subject to the terms of the Plan, the Board may appoint one or more committees, and the Board and any such committee may appoint a subcommittee, composed of one or more directors of the Company, and may delegate to any such (sub)committee all or any of the authority of the Administrator as set forth in Section 3.2 and to take all or any other actions determined appropriate to administer the Plan or any aspect of it. Any action by any such (sub)committee within the scope of such delegation shall be deemed for all purposes to have been taken by the Board. Notwithstanding any provision of the Plan, the Board may at any time limit the authority of any (sub) committee to administer the Plan.

3.2 Authority of the Administrator. Subject to the express provisions of the Plan and the delegation of any responsibilities by the Board, the Administrator shall be authorized and empowered to do all things necessary or desirable in connection with the administration of the Plan, including, without limitation: (a) to prescribe, amend and waive rules relating to the Plan and to define terms not otherwise defined herein; (b) to establish the terms and conditions of Awards made under the Plan and to prescribe the form of documentation used to evidence any Awards hereunder; (c) to establish and verify the extent of satisfaction of any conditions to receipt or vesting of Awards; (d) to determine whether, and the extent to which, adjustments are required pursuant to Section 7.2 hereof; (e) to interpret and construe the Plan, any rules and regulations under the Plan and the terms and conditions of any Awards hereunder, and to make exceptions to any procedural provisions in good faith and for the benefit of the Company; (f) to amend (subject to the provisions of Section 9.1 herein) the terms and conditions of the Plan, any Awards and any agreement entered into under the Plan; and (g) to make other determinations which may be necessary or advisable for the administration of the Plan.

3.3 Decisions Binding. All decisions, determinations and interpretations by the Board or, except as to the Board, the committee arising under the Plan, any rules and regulations under the Plan or the terms and conditions of any Awards hereunder, including questions of construction and interpretation, shall be final, conclusive, and binding on all persons claiming benefits under the Plan and shall be given the maximum possible deference allowed by law. The Board and the Administrator may consider such factors as it deems relevant, in its sole and absolute discretion, in making such decisions, determinations and interpretations including, without limitation, the recommendations or advice of any officer or other employee of the Company and such attorneys, consultants and accountants as it may select.

Article 4. Participation

4.1 Participation. Any person who is a Director shall be eligible to receive Awards under the Plan.

Article 5. Deferred Stock Units; Equity Grants in Lieu of Cash Board Fees

5.1 Deferred Stock Units. DSUs represent an unfunded and unsecured obligation of the Company, except as otherwise provided for by the Administrator, with each DSU being a bookkeeping entry representing an amount equivalent to one Share. DSUs may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Administrator. Each award of DSUs shall be evidenced by an Award Agreement. Subject to such terms and conditions as the Administrator may establish, a DSU may be settled through the delivery of a Share or through the payment in cash of an amount equal to the Fair Market Value of a Share as of the date for which the amount of such payment is determined, as established by the Administrator.

5.2 Payment of Board Fees in Equity. Subject to such terms and conditions as may be established from time to time by the Administrator, including without limitation any minimum standards or requirements for participation established by the Administrator, a Director may receive Equity Grants in lieu of all or a portion of the cash Board Fees otherwise payable to such Director each Year (or, if applicable, any portion thereof) for his or her service as a Director. The number of Shares subject to any Equity Grant made pursuant to this Section 5.2 shall be determined by dividing the amount of Board Fees to be paid or awarded in the form of Equity Grants, as determined by the Administrator or elected by the Director, by the Fair Market Value of a Share as of the date such Equity Grant is made. The date on which Equity Grants are made shall be determined by or pursuant to rules established by the Administrator.

5.3 Settlement of Outstanding DSUs. Subject to such terms and conditions as the Administrator may establish, a Director may elect to have his or her outstanding DSUs granted or credited prior to 2010 (including any dividend equivalents thereon) in respect of Board Fees treated as Awards for purposes of this Plan and distributed in Shares.

5.4 Voting Rights. Participants who receive Awards under this Article 5 shall have no voting rights with respect to Shares of Common Stock or Shares underlying DSUs and dividend equivalents unless and until such Shares are reflected as issued and outstanding shares on the Company's stock ledger.

5.5 Dividend Equivalents. Unless provided otherwise by the Administrator, any DSUs awarded under this Article 5 and any Shares awarded under this Article 5, the receipt of which is deferred pursuant to a Deferred Compensation Plan, as well as any dividend equivalent Shares accrued pursuant to this Section 5.5, shall until paid or distributed to a Participant accrue dividend equivalent Shares. Dividend equivalent Shares represent the right to receive additional Shares and shall be credited as of the dividend payment date for Shares. Unless otherwise provided by the Administrator or, if allowed, elected by a Participant, Shares shall be issued in payment and satisfaction of dividend equivalents on the date that the Equity Grants as to which such dividend equivalents accrued are paid or distributed.

5.6 Deferral Opportunity. The Administrator may permit deferrals of awards under this Plan in accordance with such terms and conditions as it specifies. Any deferral election shall be made in accordance with, and subject to the terms and conditions set forth in, the Deferred Compensation Plan.

Article 6. Other Awards

6.1 Restricted Stock

(a) Restricted Stock Award. Restricted Stock may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Administrator. Each award of Restricted Stock shall be evidenced by an Award Agreement.

(b) Award Agreement. Each Award Agreement evidencing an award of Restricted Stock shall contain provisions regarding (a) the number of Shares subject to such award of Restricted Stock or a formula for determining such, (b) the purchase price of the Shares, if any, and the means of payments, (c) the length of the restrictive period over which the Restricted Stock shall vest or may ratably vest, if any, (d) forfeiture provisions, if any, (e) restrictions on the transferability of the Shares, if any, and (f) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Administrator. Shares subject to any Restricted Stock award shall not be transferable within less than one (1) year from the date of grant, except upon such separation of service events as specified by the Administrator. Shares issued under an award of Restricted Stock may be issued in the name of the Participant and held by the Participant or held by the Company, in each case as the Administrator may provide.

(c) Voting Rights. Unless otherwise determined by the Administrator, Participants holding shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those shares during the period of restrictions.

(d) Dividends and Distributions. Participants in whose name Restricted Stock is granted shall be entitled to receive all dividends and other distributions paid with respect to those Shares, unless determined otherwise by the Administrator. The Administrator will determine whether any such dividends or distributions will be automatically reinvested in additional shares of Restricted Stock and subject to the same restrictions on transferability as the Restricted Stock with respect to which they were distributed or whether such dividends or distributions will be paid in cash and whether such cash payments will be made currently or deferred.

6.2 Restricted Stock Units

(a) RSU Award. RSUs may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Administrator. Each grant of RSUs shall be evidenced by an Award Agreement.

(b) Award Agreement. Each Award Agreement evidencing an award of RSUs shall contain provisions regarding (a) the number of RSUs subject to such award or a formula for determining such, (b) the purchase price of the Shares, if any, and the means of payments, (c) the length of the restrictive period over which the RSUs shall vest or may ratably vest, if any, (d) forfeiture provisions, if any, (e) restrictions on the transferability of the RSUs, and (f) such further terms and conditions, in each case not inconsistent with the Plan as may be determined from time to time by the Administrator. No shares shall be issued or cash paid in settlement of an RSU within less than one (1) year from the date of grant, except upon such separation of service events as specified by the Administrator.

(c) Bookkeeping Entry. A RSU is a bookkeeping entry representing an amount equivalent to one Share. RSUs represent an unfunded and unsecured obligation of the Company, except as otherwise provided for by the Administrator. Subject to such terms and conditions as the Administrator may establish, a RSU may be settled through the delivery of a Share or through the payment in cash of an amount equal to the Fair Market Value of a Share as of the date for which the amount of such payment is determined, as established by the Administrator.

(d) Voting Rights. Participants shall have no voting rights with respect to Shares underlying RSUs unless and until such Shares are reflected as issued and outstanding shares on the Company's stock ledger.

(e) Dividend Equivalents. Participants who are granted RSUs shall be entitled to dividend equivalents only to the extent provided by the Administrator. The Administrator will determine whether any such dividend equivalents will be automatically reinvested in additional RSUs and subject to the same terms and conditions as the RSUs with respect to which they were distributed or whether such dividend equivalents will be paid in cash and whether such cash payments will be made currently or deferred.

6.3 Stock Options

(a) Stock Option Awards. Stock Options may be granted at any time and from time to time prior to the termination of the Plan to Participants as determined by the Administrator. No Participant shall have any rights as a shareholder with respect to any Shares subject to a Stock Option hereunder until said Shares have been issued. Each Stock Option shall be evidenced by an Award Agreement.

(b) Award Agreement. Each Award Agreement evidencing a Stock Option shall contain provisions regarding (a) the number of Shares which may be issued upon exercise of the Stock Option, (b) the excercise price of the Shares and the means of payment for the Shares, (c) the term of the Stock Option, (d) such terms and conditions of exercisability as may be determined from time to time by the Administrator, (e) restrictions on the transfer of the Stock Option and forfeiture provisions, and (f) such further terms and conditions, in each case not inconsistent with the Plan, as may be determined from time to time by the Administrator.

(c) Stock Option Price. The exercise price per share of the Shares subject to each Stock Option granted under the Plan shall equal or exceed 100 percent of the Fair Market Value of such Shares on the date the Stock Option is granted.

(d) Minimum Vesting. No Stock Option shall be exercisable within less than one (1) year from the date of grant, except upon such separation of service events as specified by the Administrator.

(e) Stock Option Term. The "Term" of each Stock Option granted under the Plan shall not exceed ten (10) years from the date of its grant.

(f) Stock Option Exercise

(1) ***Partial Exercise.*** An exercisable Stock Option may be exercised in whole or in part. However, a Stock Option shall not be exercisable with respect to fractional Shares and the Administrator may require, by the terms of the applicable Award Agreement, a partial exercise to include a minimum number of Shares.

(2) ***Manner of Exercise***. All or a portion of an exercisable Stock Option shall be deemed exercised upon delivery to the representative of the Company designated for such purpose by the Administrator all of the following: (i) notice of exercise in such form as the Administrator authorizes specifying the number of Shares to be purchased by the Participant, (ii) payment or provision for payment of the exercise price for such number of Shares, (iii) such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act of 1933, as amended, and any other federal, state or foreign securities laws or regulations, and (iv) such other representations and documents as the Administrator, in its sole discretion, deems necessary or advisable. Unless provided otherwise by the Administrator, no Participant shall have any right as a shareholder with respect to any Shares purchased pursuant to any Stock Option until the registration of Shares in the name of such person, and no adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such Shares are so registered.

(3) ***Payment of Exercise Price.*** To the extent authorized by the Administrator, the exercise price of a Stock Option may be paid in the form of one of more of the following, either through the terms of the applicable Award Agreement or at the time of exercise of a Stock Option: (i) cash or certified or cashiers' check, (ii) Shares that have been held by the Participant for such period of time as the Administrator may specify, (iii) other property deemed acceptable by the Administrator, (iv) a reduction in the number of Shares or other property otherwise issuable pursuant to such Stock Option, or (v) any combination of (i) through (iv).

(g) No Repricing; No Automatic Option Grants (Reloads). Without prior approval of stockholders, the Administrator may not:

(1) Cancel a previously granted Stock Option in exchange for cash or a replacement Award with a lower (or no) exercise price;

(2) Provide for any automatic grant of a new Stock Option upon a Participant's exercise of any Stock Option granted under the Plan; or

(3) Amend a Stock Option to lower the exercise price, except for adjustments required or otherwise made under Article 7.2, or take any other action that could constitute a repricing.

Article 7. Shares Subject to the Plan

7.1 Number of Shares. Subject to adjustment as provided in this Article 7, the aggregate number of Shares issued pursuant to the Plan shall not exceed an aggregate of 500,000 shares of Common Stock. The aggregate number of Shares issued under the Plan at any time shall equal the number of Shares actually issued upon grant or settlement of an Award and pursuant to dividend equivalents, less any Shares retained or returned to the Company upon cash settlement, cancellation, expiration or forfeiture of an Award or from dividend equivalents and less any Shares retained by or delivered to the Company by or on behalf of a Participant (either actually or by attestation) in payment or satisfaction of any purchase price or tax obligation respecting an Award. Shares may be issued from authorized but unissued shares or out of shares held in the Company's treasury, or both.

7.2 Adjustment and Changes in Shares. If the outstanding securities of the class then subject to the Plan are increased, decreased or exchanged for or converted into cash, property or a different number or kind of shares or securities, or if cash, property or shares or securities are distributed in respect of such outstanding securities, in either case as a result of a reorganization, reclassification, dividend (other than a regular, periodic cash dividend) or other distribution, stock split, reverse stock split, spin-off or the like, then the maximum number and type of shares or other securities that may be issued under the Plan and that are subject to outstanding Awards (including awards of Common Stock the receipt of which has been deferred) shall be appropriately adjusted. The Administrator shall determine in its sole discretion the appropriate adjustment to be effected pursuant to the immediately preceding sentence and in doing so shall take into account the provisions of any applicable Award Agreement. In addition, in connection with any such change in the class of securities then subject to the Plan, the Administrator shall make equitable adjustments in the number and type of shares or other securities or cash or other property that may be acquired pursuant to stock options and stock grants theretofore awarded under the Plan and the exercise price of such stock options or price, if any, of such stock grants; however no adjustment to an option shall be made in a manner that will be treated under Code Section 409A as the grant of a new option.

Article 8. Term of the Plan

Unless earlier suspended or terminated by the Board, no Award may be initially awarded after the tenth anniversary of the date the Plan is approved by the Company's shareholders.

Article 9. Miscellaneous

9.1 Amendment and Termination. The Board may from time to time amend the Plan; provided, however, that no amendment may without shareholder approval (a) materially increase the benefits accruing to participants under the Plan, (b) materially increase the number of shares of Common Stock which may be issued under the Plan, or (c) materially modify the requirements as to eligibility for participation in the Plan. In addition, except for an amendment adopted pursuant to Section 9.6, no amendment or alteration to the Plan shall be made which would in any material manner adversely affect any Participant's rights to any Award or Shares theretofore accrued or granted to him or her hereunder, without the consent of the Participant.

9.2 Compliance with Securities Laws, Listing Requirements, and Other Laws and Obligations. The Company shall not be obligated to deliver any shares of Common Stock under the Plan, (a) until, in the opinion of the Company's counsel, all applicable federal and state laws and regulations have been complied with, (b) if the outstanding Common Stock is at the time listed on any stock exchange, or quoted on any automated quotation system, until the shares to be delivered have been listed or authorized to be listed or quoted on such exchange or system upon official notice of issuance, and (c) until all other legal matters in connection with the issuance and delivery of such shares have been approved by the Company's counsel. If the sale of Common Stock has not been registered under the Securities Act of 1933, as amended, the Company may require, as a condition to the payment of Common Stock, such representations or agreements as counsel for the Company may consider appropriate to avoid violation of such Act and may require that the certificates evidencing such Stock bear an appropriate legend restricting transfer. In addition, the Company may, in its discretion, withhold a portion of the Shares that otherwise would be issued under the Plan to a Participant or make other such arrangements as it determines appropriate to satisfy Federal, state and local withholding tax requirements, if any.

9.3 Successors. All obligations of the Company under the Plan shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

9.4 Applicable Law. The Plan shall be construed and enforced according to the laws of the State of Delaware without regard to Delaware conflict of laws rules, to the extent not preempted by federal law, which shall otherwise control.

9.5 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

9.6 Compliance with Code Section 409A. To the extent that a benefit under the Plan is subject to the requirements of Code Section 409A, it is intended that the Plan, as applied to that benefit, comply with the requirements of Code Section 409A, and the Plan shall be so administered and interpreted. The Administrator may make any changes required to conform the Plan and any option agreements or other grants with applicable Code provisions and regulations relating to deferral of compensation under Code Section 409A.

Exhibit 12

CIGNA CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(Dollars in millions)

	Three Months Ended March 31, 2010	2009
Income from continuing operations before income taxes	**$ 422**	$ 273
Adjustments:		
Income from equity investee	**(5)**	(3)
Income attributable to noncontrolling interest	**(1)**	(1)
Income before income taxes, as adjusted	**$ 416**	$ 269
Fixed charges included in income:		
Interest expense	**$ 43**	$ 38
Interest portion of rental expense	**11**	12
	54	50
Interest credited to contractholders	**1**	1
	$ 55	$ 51
Income available for fixed charges (including interest credited to contractholders)	**$ 471**	$ 320
Income available for fixed charges (excluding interest credited to contractholders)	**$ 470**	$ 319
RATIO OF EARNINGS TO FIXED CHARGES:		
Including interest credited to contractholders	**8.6**	6.3
SUPPLEMENTAL RATIO:		
Excluding interest credited to contractholders	**8.7**	6.4

Exhibit 31.1

CERTIFICATION

I, DAVID M. CORDANI, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CIGNA Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2010

/s/ David M. Cordani
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, ANNMARIE T. HAGAN, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CIGNA Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2010

/s/ Annmarie T. Hagan
Chief Financial Officer

Exhibit 32.1

Certification of Chief Executive Officer of
CIGNA Corporation pursuant to 18 U.S.C. Section 1350

I certify that, to the best of my knowledge and belief, the Quarterly Report on Form 10-Q of CIGNA Corporation for the fiscal period ending March 31, 2010 (the "Report"):

(1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CIGNA Corporation.

/s/ David M. Cordani
David M. Cordani
Chief Executive Officer
May 6, 2010

Exhibit 32.2

Certification of Chief Financial Officer of
CIGNA Corporation pursuant to 18 U.S.C. Section 1350

I certify that, to the best of my knowledge and belief, the Quarterly Report on Form 10-Q of CIGNA Corporation for the fiscal period ending March 31, 2010 (the “Report”):

(1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CIGNA Corporation.

/s/ Annmarie T. Hagan
Annmarie T. Hagan
Chief Financial Officer
May 6, 2010