CIGNA CORPORATION

THIRD QUARTER 2012 INVESTOR TELECONFERENCE
THURSDAY, NOVEMBER 1, 2012

DAVID M. CORDANI – PRESIDENT AND CHIEF EXECUTIVE OFFICER

RALPH J. NICOLETTI – CHIEF FINANCIAL OFFICER

EDWIN J. DETRICK – VICE PRESIDENT, INVESTOR RELATIONS

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

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

Cigna Corporation and its subsidiaries (the "Company") and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company's filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management's beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include, but are not limited to, the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company's strategic initiatives, litigation and other legal matters, operational improvement initiatives in the Health Care operations, and the outlook for the Company's full year 2012 and beyond results. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe", "expect", "plan", "intend", "anticipate", "estimate", "predict", "potential", "may", "should" or similar expressions.

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

1. increased medical costs that are higher than anticipated in establishing premium rates in the Company's Health Care operations, including increased use and costs of medical services;
2. increased medical, administrative, technology or other costs resulting from new legislative and regulatory requirements imposed on the Company's businesses;
3. challenges and risks associated with implementing operational improvement initiatives and strategic actions in the ongoing operations of the businesses, including those related to: (i) growth in targeted geographies, product lines, buying segments and distribution channels, (ii) offering products that meet emerging market needs, (iii) strengthening underwriting and pricing effectiveness, (iv) strengthening medical cost results and a growing medical customer base, (v) delivering quality service to members and health care professionals using effective technology solutions, and (vi) lowering administrative costs;
4. adverse changes in state, federal and international laws and regulations, including health care reform legislation and regulation that could, among other items, affect the way the Company does business, increase costs, limit the ability to effectively estimate, price for and manage medical costs, and affect the Company's products, services, market segments, technology and processes;
5. the ability to successfully complete the integration of acquired businesses, including the acquired HealthSpring businesses by, among other things, operating Medicare Advantage coordinated care plans and HealthSpring's prescription drug plan,
   retaining and growing the customer base, realizing revenue, expense and other synergies, renewing contracts on competitive terms, successfully leveraging the information technology platform of the acquired businesses, and retaining key personnel;
6. the ability of the Company to execute its growth plans by successfully leveraging its capabilities and those of the businesses
   acquired in serving the Seniors market segment and the Company's other market segments, including through successful execution of the Company's physician engagement strategy;
7. the possibility that the acquired HealthSpring business may be adversely affected by economic, business and/or competitive
   factors; or by federal and/or state regulation, including health care reform, reductions in funding levels for Medicare programs, and potential changes in risk adjustment data validation audit and payment adjustment methodology;
8. risks associated with pending and potential state and federal class action lawsuits, disputes

regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company's businesses, including disputes related to payments to health care professionals, government investigations and proceedings, tax audits and related litigation, and regulatory market conduct and other reviews, audits and investigations;

9. heightened competition, particularly price competition, that could reduce product margins and constrain growth in the Company's businesses, primarily the Health Care business;
10. risks associated with the Company's mail order pharmacy business that, among other things, includes any potential operational deficiencies or service issues as well as loss or suspension of state pharmacy licenses;
11. significant changes in interest rates or sustained deterioration in the commercial real estate markets;
12. downgrades in the financial strength ratings of the Company's insurance subsidiaries, that could, among other things, adversely affect new sales and retention of current business; downgrades in financial strength ratings of reinsurers, that could result in increased statutory reserves or capital requirements of the Company's insurance subsidiaries;
13. 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;
14. inability of the hedge programs adopted by the Company to substantially reduce equity market and certain interest rate risks in the run-off reinsurance operations;
15. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating the Company's liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
16. adjustments to the assumptions (including interest rates, 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;
17. significant stock market declines, that could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and the Company's pension plans in future periods as well as the recognition of additional pension obligations;
18. significant deterioration in economic conditions and significant market volatility, that could have an adverse effect on the Company's operations, investments, liquidity and access to capital markets;
19. significant deterioration in economic conditions and significant market volatility, that could have an adverse effect on the businesses of our customers (including the amount and type of health care services provided to their workforce, loss in workforce and our customers' ability to pay their obligations) and our vendors (including their ability to provide services);
20. amendments to income tax laws, that could affect the taxation of employer-provided benefits, the taxation of certain insurance products such as corporate-owned life insurance, or the financial decisions of individuals whose variable annuities are covered under reinsurance contracts issued by the Company;
21. potential public health epidemics, pandemics, natural disasters and bio-terrorist activity, that 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;
22. risks associated with security or interruption of information systems, that could, among other things, cause operational disruption;
23. challenges and risks associated with the successful management of the Company's outsourcing projects or key vendors; and
24. the unique political, legal, operational, regulatory and other challenges associated with expanding our business globally.

This list of important factors is not intended to be exhaustive. Other sections of the Company's most recent Annual Report on Form 10-K, including the "Risk Factors" section, the Quarterly Report on Form

10-Q for the quarters ended March 31 and June 30, 2012, the Current Report on Form 8-K filed on August 8, 2012, and other documents filed with the Securities and Exchange Commission include both expanded discussion of these factors and additional risk factors and uncertainties that could preclude the Company from realizing the forward-looking statements. The Company does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Ted Detrick (Vice President, Investor Relations):

Good morning everyone and thank you for joining today's call. I'm Ted Detrick, Vice President of Investor Relations and with me this morning are David Cordani, our President and Chief Executive Officer and Ralph Nicoletti, Cigna's Chief Financial Officer.

In our remarks today, David will begin by commenting on Cigna's third quarter results. He will then discuss how continued effective execution of our strategy, coupled with our differentiated capabilities, are creating significant value for our global clients and customers.

David will also review our capital deployment strategy and the progress we have made toward achieving our goal of delivering meaningful shareholder value over the long term. And finally, David will conclude his remarks by making some brief observations about 2013 which we will discuss in more depth when we provide our 2013 outlook at our Investor Day in New York City on November 16th.

Next, Ralph will review the financial results for the third quarter and provide an update on Cigna's financial outlook for full year 2012. We will then open the lines for your questions. And following our question and answer session, David will provide some brief closing remarks before we end the call.

Now as noted in our earnings release, Cigna uses certain financial measures which are not determined in the accordance with generally accepted accounting principles, or GAAP, when describing its financial results. Specifically, we use the term labeled adjusted income from operations as the principal measure of performance for Cigna and our operating segments and a reconciliation of these measures to the most directly comparable GAAP measure is contained in today's earnings release which is posted in the investor relations section of Cigna.com.

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

Now before turning the call over to David, I will cover a few items pertaining to our third quarter results and disclosures. Regarding our results, I note in the third quarter, we recorded two charges to shareholder's net income which we reported as special items.

The first special item was an after tax charge of $50 million or 17 cents per share for severance and other costs associated with a series of actions we are taking to improve our organizational alignment, operational effectiveness and efficiency.

The second special item was an after tax charge of $12 million or 4 cents per share for transaction costs related to the Health Spring acquisition.

I would remind you that special items are excluded from adjusted income from operations in today's discussion of our third quarter results and our full year 2012 outlook.

Relative to our Run-off Reinsurance operations, our third quarter shareholders net income includes and after tax, non-cash gain of $32 million or 11 cents per share related to the guaranteed minimum income benefits business, otherwise known as GMIB.

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

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

Cigna's 2012 earnings outlook, which we will discuss in a few moments, excludes the results of the GMIB business and, therefore, any potential volatility related to the prospective application of this accounting guidance.

And also please note that when we discuss our full year 2012 outlook, it will be on a basis which excludes any future capital deployment and includes the year to date results for our runoff guaranteed minimum death benefits business known as VADBe but does not include an estimate for future impacts for this business as these potential impacts, including the effects of changes in capital markets or periodic updates to long term reserve assumptions are not known or reasonably estimable.

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

David Cordani (President and Chief Executive Officer):

Thanks Ted and good morning everyone.

Cigna is a global company but I do want to take a moment to acknowledge the recent events back here in the United States. This has been a tough week for many of you impacted by Hurricane Sandy on the East Coast and I know that New York, New Jersey and Connecticut were hit particularly hard and many dedicated individuals are focused on leading us to recovery.

For those of you who were impacted by the storm, we appreciate you joining us on today's call. We hope you and your families remain safe and that you experience a speedy recovery.

Now before Ralph reviews our results and outlook, I want to take a few minutes to comment on our third quarter performance. I'll then discuss how the focused execution of our strategy and ongoing strengthening of our capabilities are creating value for our clients and customers across the globe.

I'll also review our progress on deploying capital to support our goal of optimizing long term shareholder value. And finally, I'll briefly comment on our expectations for 2013.

Turning to our results, we are pleased with our strong performance in the third quarter. We delivered outstanding revenue growth. Our earnings exceeded expectations and we further grew our medical customer base. We also increased our strategic investments in targeted markets and in capabilities to position us to drive sustainable growth.

Based on our third quarter results and the momentum we've experienced in the first nine months of 2012, we are once again increasing our full year outlook for earnings and capital available for deployment.

Moving to the specifics of the quarter, we reported adjusted income from operations at $496 million, or $1.71 per share, representing a 33% increase in earnings per share versus the third quarter of 2011. Our consolidated revenue increased by 31% to $7.4 billion.

These results reflect the effective and disciplined execution of our Go Deep, Go Global and Go Individual strategy. We continue to deliver on the fundamentals of our business including clinical quality, service and pricing disciplines while providing clients and customers with solutions that improve their health, well-being and sense of security.

As a direct result of our focus, each of our ongoing businesses - HealthCare, International and Group Disability and Life - provided attractive revenue and earnings contributions in the third quarter. Specific to HealthCare, results reflect continued organic growth in our target customer segments and significant contributions from our HealthSpring acquisition.

Our HealthCare revenues grew 46% relative to third quarter 2011. Our medical customer base grew by 1.25 million people during the first nine months of 2012 representing nearly 11% net growth from year end 2011 including more than 7% from organic commercial customer growth.

Essentially all of our organic growth was in our highly transparent self-funded ASO products which enable clients to design benefit plans from our comprehensive suite of productivity and health solutions and effectively manage their costs.

Our ability to retain, expand and acquire new clients and customers in our targeted segments reinforces the value we are delivering in the marketplace.

In our International business, Cigna delivered top line growth of 22% compared to the third quarter 2011 driven by attractive customer retention rates, successful cross selling and new business sales as well as the acquisition of First Assist.

We are seeing continued demand for our Health, Life and Accident products amongst the growing middle class who want to supplement coverage and fill gaps in the government sponsored programs. And we continue to see demand for our highly specialized health programs for globally mobile individuals employed by multinational companies and governmental organizations.

In Group Disability and Life, our revenue growth was 8% over the third quarter of 2011 and we reported solid earnings demonstrating the value of our health and productivity programs for Cigna clients and customers. Overall, our third quarter results reflect strong and focused execution of our growth strategy.

Our portfolio of businesses: U.S. Commercial, International and Seniors, strongly position us for sustained growth in markets where have a leading position and offer distinct value to our clients and customers. And our key points of differentiation are helping to improve health outcomes, increase work productivity and enhance well-being for the people we serve.

These points are customer centricity, physician engagement and consultative distribution.

To maintain our competitive position and fuel for future growth, we will continue to invest in these differentiators to address client and customer needs for greater value and affordability.

I’m going to briefly comment on each of these differentiators and then we will provide a more in-depth review with you during our Investor Day on November 16.

With respect to customer centricity, Cigna was at the forefront of transitioning to a retail oriented consumer driven approach in healthcare.

We have invested in resources that empower individuals to make better health and quality decisions to a personalized, helpful and simple service experience. In our U.S. Commercial business, our customer focus is delivering demonstrative results. We were the first, and remain the only global health service company with 24/7, 365 live telephonic support.

We continue to develop tools to allow customers to connect with us anytime, anywhere, on the platform of their choice. For example, our customers can access us through Cigna.com from any mobile device to price medications, access account balances, or get real time cost of care estimates on prospective treatments.

In September, our innovative search engine providing doctors and services was named one of the top ten technology innovations of 2012 by Information Week magazine.

Internationally, our effective customer segmentation and direct to consumer distribution gives us a competitive advantage in our ability to design the right products to meet our customer’s needs and deliver those products through channels preferred by our customers.

Another key element of our success is our ability to work effectively and partner with physicians. We took a leadership role in physician partnership long before the US Affordable Care Act. We started in 2008 with the launch of our first Collaborative Accountable Care initiative or “CAC”, which is Cigna’s approach to accountable care organizations.

In the third quarter of 2012, we announced nine new CACs and we now have 42 programs spanning 18 states. We are on track to reach our goal of 100 programs by the end of 2014.

With the addition of HealthSpring’s physician engagement program, we have accelerated our ability to reshape the delivery of healthcare, specifically actively expanding HealthSpring’s footprint for 2013 by deepening the presence in existing markets and offering HealthSpring customers access to home delivery pharmacy benefits.

We are supporting growth in new markets with developments for 2014, well underway already, and we are extending the value of the physician engagement model to develop the new commercial offerings most recently by leveraging HealthSpring’s physician engagement programs to launch two new CAC initiatives that together increase access to high quality coordinated care for Cigna’s commercial customers.

Next I’ll discuss our approach to consultation distribution of our products and services to our clients and customers around the world.

In our U.S. Commercial business, our consultative distribution approach helps employers design customized programs to improve the health and productivity of their workforce while maximizing the value of their overall spending.

Similarly, in our International business, we drive strong retention and sales through our marketed leading sales organizations with in-country telemarketers, leveraging more than 200 affinity partnerships. In addition, we effectively use bancassurance, Internet distribution, direct response TV and home shopping programs to meet our customer’s needs.

Combined, these differentiated capabilities: customer centricity, physician engagement and consultative distribution continue to drive growth in Cigna’s customer and client relationships.

Now I’ll discuss how we are creating sustainable shareholder value through the disciplined management of our capital and our focus on continuing to identify the operating efficiencies.

We continue to deploy capital with three priorities in mind. Our first priority is to support our current business with the capital required while making investments to develop capabilities that position us for long term growth.

As we have discussed previously, we are experiencing the challenging global economy and yet, at Cigna, we have grown meaningfully during this time because of a disciplined focus on our strategy and ongoing investments.

As we look at 2013, we expect to see continuing economic headwinds and we believe that now is a time to further accelerate our investments in targeted areas in order to strengthen our competitive posture.

To provide additional capacity to further invest, we proactively identified efficiency gains throughout our organization. As a result we are taking a $50 million after tax charge in the third quarter to cover a series of actions that will yield annual after-tax expense savings of $60 million.

These savings will allow us to reinvest in priority markets and the capabilities that will further improve our ability to provide superior service and affordable solutions for our clients and customers while delivering sustainable value for our shareholders.

It’s important to view these actions in context. Over the past three years, we’ve increased our revenue by more than 50% and our net employment base by 17%. This announcement, while difficult, reflects the necessary steps to support our ongoing expansion of our business and drive sustained success.

Second, relative to strategic acquisitions and partnerships, we continue to pursue opportunities that align with our growth strategy and create strategic market advantage and differentiation. In the U.S., for example, our inorganic growth to date is focused on acquiring unique capabilities in the seniors market and expanding Cigna’s retail capabilities.

Acquiring HealthSpring, with their best in class physician coordination model, is a clear example of our ability to successfully deliver inorganic growth.

We’re also strengthening our capabilities to winning the U.S. individual market with our acquisition of Great American Supplemental Benefits, which we closed during the third quarter.

With the Great American acquisition, Cigna is now one of the largest producers, distributors and marketers of supplemental health and related products in the U.S. This business is highly complementary to our successful global Health, Life and Accident business.

Within our International business, our joint ventures in India and Turkey will further expand our reach into geographies with significant middle class growth, while our acquisition of First Assist provides a portfolio of travel related products to extend to our customers.

These investments will enable Cigna to capitalize on high growth opportunities and enhance our ability to provide value for our customers across all stages of their lives regardless of how we access those customers - through an employer, through the government, through an affinity relationship or directly.

After fully considering the first two priorities of capital deployment, specifically supporting the growth of our ongoing business and pursuing financially attractive strategic M&A activities, we evaluate opportunities to return capital to investors.

As of November 1st, we repurchased approximately 4.4 million shares of our stock for $210 million.

Our disciplined investments in ongoing operations, our successful track record with acquisitions and our share repurchase program demonstrates Cigna's commitment to deploying capital to build sustainable shareholder value.

Now turning to 2013, we have been operating in a dynamic environment for some time and we see that environment, particularly the uncertain global economy continuing for the next several years.

That said, we are stepping into 2013 with strong momentum created by our focused effective execution of our strategy which has resulted in attractive revenue and earnings growth in both 2011 and 2012.

We believe we are well positioned in our targeted markets and we will continue to build off that positive momentum.

As such, we expect 2013 to be another successful year in which we deliver both revenue and earnings growth. We look forward to providing you with more insights on our outlook for 2013 at our Investor Day on November 16th.

Now before I turn it over to Ralph, I'd like to re-emphasize a few key points. We delivered attractive revenue growth in each of our ongoing businesses and our earnings exceeded expectations.

Our customer base grew, demonstrating the unique value we offer and our ability to retain, expand and acquire new clients and customers in our targeted segments.

We continue to increase our strategic investments in targeted markets in customer segments while strengthening the value we offer customers and clients by further developing our capabilities in customer centricity, physician engagement and consultative distribution.

Our results reflect the focus and commitment of our Cigna colleagues around the world who work to help improve the health, well-being and sense of security of the people we serve. Based on our third quarter results and the momentum we've built during the first nine months of 2012, we are again increasing our full year outlook for earnings and capital available for deployment.

I am confident in our ability to achieve our full year outlook and believe our performance for 2012 gives us strong momentum to deliver continued success in 2013.

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

Ralph Nicoletti (Chief Financial Officer):

Thanks David. Good morning everyone.

In my remarks today, I will review Cigna's third quarter 2012 results and provide an update to our full year 2012 outlook. In my review of consolidated segment results, I will comment on adjusted income from operations.

This is also the basis on which I'll provide our earnings outlook.

Before I get into the specifics of the quarter, I want to emphasize that the results in the quarter were better than our expectations which enabled us to further increase our full year outlook. They are primarily driven by favorable pharmacy and medical costs in our HealthCare business and favorable loss ratios in our International business.

The quarter was highlighted by strong revenue and EPS growth and continued effective deployment of capital including the resumption of share repurchase activity and the acquisition of the Great American Supplemental Benefits business.

These results provided confidence to increase our updated full year outlook for both earnings and parent company cash.

I will comment briefly on the realignment and efficiency plan we implemented during the quarter. We reported a special item charge of $50 million after tax related to the actions we are taking across our global operations to enhance our focus and ability to deliver value and affordability to our customers and clients and increase our productivity and operational efficiency.

The majority of the expected annualized savings of $60 million after-tax is expected to be reinvested in the business to enhance our ability to grow in our targeted markets.

Now moving to operating results, our third quarter 2012 consolidated revenues grew 31% to $7.4 billion driven by continued contributions from the HealthSpring acquisition and growth in our targeted markets.

Third quarter consolidated earnings were $496 million or $1.71 per share excluding the after-tax loss of 2 cents a share from the results of our Run-off VADBe business.

Turning to the segments, overall HealthCare results from the third quarter 2012 were particularly strong across both our Commercial and Seniors businesses.

Third quarter premiums and fees for HealthCare grew 51% to $4.9 billion reflecting strong contributions from both the HealthSpring acquisition and organic growth in both our Commercial and Senior businesses.

Excluding the effect of HealthSpring, premiums and fees grew 7%.

Third quarter earnings for HealthCare were $384 million, highlighted by revenue growth including further specialty penetration, favorable pharmacy and medical costs as well as continued underwriting and pricing discipline.

We ended the third quarter 2012 with approximately 12.7 million U.S. medical customers representing sequential growth of over 110,000 customers and year to date growth of approximately 1.25 million customers of which about 850,000 are commercial customers primarily in our priority markets.

Turning now to medical costs, across our Commercial and Seniors books of business, our third quarter earnings reflect favorable pharmacy and medical costs including favorable prior period claim development of $24 million after-tax of which $6 million after-tax related to prior years.

Specific to Commercial Guaranteed Cost, our third quarter 2012 Medical Care Ratio, or MCR, was 80.2% on a reported basis. Our third quarter 2012 MCR for Medicare Advantage was 80% on a reported basis.

I will remind you that 85% of our commercial customers are in ASO funding arrangements where they directly benefit from these medical costs results.

Overall, we are pleased with the results as they continue to reflect good pricing and underwriting discipline as well as sustained quality healthcare for our clients and customers.

For the third quarter, the total HealthCare operating expense ratio is 22.9%, which represents a significant improvement over the third quarter of 2011 driven by the change in the business mix associated with the HealthSpring acquisition, benefits of our cost savings initiatives and strategic spending to support our near and long term business growth and service capabilities.

Now we'll discuss the results of our International business.

International continues to deliver attractive growth and profitability. The results reflect targeted new sales, strong retention and further product penetration to existing customers.

Premiums and fees grew 22% quarter over quarter driven by strong customer retention and growth in our Health, Life and Accident business, increased risk membership in our Global Health Benefits business, as well as contributions from our recent acquisitions.

Third quarter earnings in our International business were $79 million after-tax, and reflect improvements in operating expense efficiencies and favorable claims experience in both the Health, Life and Accident and Global Health Benefits businesses.

For Group Disability and Life, third quarter results were in line with our expectations in a difficult environment. Group premiums and fees increased 9% over the third quarter of 2011 driven by 11% growth in disability premiums and fees.

Third quarter earnings in our Group business were $62 million after-tax, reflecting favorable life claims experience which was partially offset by unfavorable claims experience in the disability business.

Results in this quarter also include a net favorable impact of $5 million after tax related to reserve studies completed during the quarter.

Results for our remaining operations, including Run-off Reinsurance, Other Operations, and Corporate, total to an after-tax loss of $36 million for the third quarter. These results include a reserve strengthening of $6 million after tax to our Run-off VADBe book of business.

Overall, as a result of the continued effective execution of our strategy, our third quarter results reflect strong revenue and earnings contributions from our ongoing businesses and as a result, we continue to generate significant free cash flow.

Regarding our investment portfolio, we continue to be pleased with our results.

Our strong investment management capabilities, diversified portfolio and disciplined approach to risk management continue to deliver solid returns.

Now turning to our outlook, based on the strength of our third quarter results, we are confident in our ability to achieve our increased full year outlook.

We now expect consolidated adjusted income from operations in the range of $1.655 to $1.705 billion dollars and consolidated EPS of $5.70 to $5.90 per share reflecting continued strong underlying results in each of our ongoing businesses.

This increased outlook represents an increase of $100 million in earnings at the midpoint and 30 to 45 cents per share over our previous expectations driven primarily by the strength of this quarter's HealthCare and International results.

I would remind you that consistent with prior practices, our outlook excludes any contribution from additional capital deployment.

I will now discuss the components of our 2012 outlook starting with HealthCare.

We now expect full year HealthCare earnings in the range of $1.29 to $1.32 billion. This increased outlook for HealthCare reflects the impact of better than expected pharmacy and medical claim development recognized in the third quarter and continued effective execution of our strategy.

Regarding U.S. medical customers, we now expect full year 2012 growth of approximately 1.25 million people of which 850,000 are in our commercial book of business.

Overall, we're pleased that employers of various sizes continue to value our consultative approach and our differentiated health and productivity programs.

Turning to our outlook for medical costs, for our total Commercial book of business, we now expect full year medical cost trend to be in the 5.5% to 6% range. We have also updated our expectations for our full year Medical Care Ratios and now expect an MCR of approximately 80% for our Commercial guaranteed cost book of business and an MCR of approximately 81% for our Medicare Advantage business.

Both represent an improvement of 50 basis points from the midpoints of our previous expectations.

We also have updated our operating expense ratio outlook and now expect the full year 2012 ratio to be approximately 23%, in the range of our previous guidance.

As we look to the fourth quarter, we expect a lower level of HealthCare earnings when compared to the third quarter due to the absence of favorable prior period medical cost development, the risk sharing nature of our Medicare Part D business, seasonally higher medical costs in our commercial risk business and an increase in operating expenses to support January 1 readiness and Medicare enrollment as well as continued strategic investments.

Now moving to other components of our outlook - for our International business, we expect continued strong top line growth and now expect earnings in the range of $280 to $290 million which represents earnings growth of more than 25% versus full year 2011.

We expect the fourth quarter results to reflect more normalized claims experience and an uptick in strategic investments.

Regarding the Group Disability and Life business - we now expect full year 2012 earnings in the range of $265 to $275 million.

And regarding our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, our updated outlook is now an expected loss of $180 million for 2012.

So all in, for full year 2012, we now expect consolidated adjusted income from operations of $1.655 to $1.705 billion and consolidated EPS in the range of $5.70 to $5.90 per share, which reflects the share repurchase activity through October 31st.

I'll now discuss our updated capital management position and outlook.

Overall, we continue to have good financial flexibility as our subsidiaries remain well capitalized and are generating significant free cash flow to parent, reflecting a strong return on capital in each of our ongoing businesses.

We ended the quarter with parent company cash of approximately $435 million. During the third quarter, we repurchased approximately 1.9 million shares of common stock and we subsequently repurchased an additional 2.5 million shares through October 31st through the deployment of approximately $210 of available capital.

After reflecting the capital deployed for share repurchase through October 31st, we now expect to have approximately $700 million in parent company cash by the end of 2012 with approximately $250 million available for deployment.

This represents a $125 million increase compared to our previous capital outlook primarily reflecting increased subsidiary dividends due to improved business fundamentals.

We are confident in our updated outlook. Our capital position remains strong and our capital deployment strategy and priorities remain unchanged.

Now to recap, our third quarter 2012 consolidated results reflect the strength of our differentiated portfolio of global businesses and a consistent and disciplined execution of our focus strategy with continued growth in our targeted customer segments.

Our quarterly results represent another strong performance reflecting solid organic and customer growth which are expected to deliver an increase of $100 million in earnings or 30 to 45 cents in earnings per share for 2012 and an additional $125 million in capital available for deployment.

We effectively deployed capital during the quarter for a strategic acquisition of Great American Supplemental Benefits and share repurchase.

Based on the strength of these results, we are confident in our ability to achieve our increased full year 2012 outlook.

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

Matthew Borsch (Goldman Sachs):

Yes, good morning. Could you talk about what you're seeing on commercial and Medicare medical cost trends and the degree to which that's changed from the first half of 2012 and also how it influences your view of trends for next year?

David Cordani (President and Chief Executive Officer):

Matthew, good morning. I'll frame that and see if Ralph wants to expand it a little further. As you track it throughout the course of the full year, our medical cost trend outlook for the year has improved overall.

You recall that last quarter, as well as this quarter, we acknowledged further improvement in our overall loss ratios. Broadly speaking, our contracting and our effective partnership with physicians and hospitals is working in line with our expectations.

Additionally, the rate and pace of projected escalation utilization is not as significant as we might've thought it would be the earlier part of this year.

Ralph, could I ask you to expand in terms expectations for the latter part of the year?

Ralph Nicoletti (Chief Financial Officer):

Over the balance of the year, we would see that the fourth quarter in the 5-1/2% to 6% range, reflecting a continuation of the trend that we saw this quarter.

In terms of some of the pieces, they really haven't changed materially versus what we talked about in the first part of the year. Inpatient is pretty muted and professional service utilization up a little bit as well as outpatient principally in the size of claims.

Matthew Borsch (Goldman Sachs):

Great. And if I just could as a follow up on the pricing side, have you seen anything that you would characterize as a shift in the degree of pricing pressure you face, and if so, can you average that out across different markets and segments?

David Cordani (President and Chief Executive Officer):

Matthew, consistent with prior dialogue, I would say we have seen no macro shifts. The pricing environment is competitive, there're always puts and takes in geographies given the breadth of our portfolio or segments, but no major shift.

I would add to that that the breadth of our capabilities and our funding mechanisms, so having the full breadth from the ASO through the experience rated and guaranteed cost capabilities, helps us in environments if there are smaller flare ups. But broadly speaking, no major change and the environment is still very competitive from a pricing standpoint.

Matthew Borsch (Goldman Sachs):

Thank you.

Scott Fidel (Deutsche Bank):

Do you expect any impacts from Hurricane Sandy and specifically relative to utilization? Would you expect that you'll probably see some lower utilization in some of the Northeast markets in some of the fourth quarter as a result of the storm?

David Cordani (President and Chief Executive Officer):

Scott, broadly speaking. I'll go at that in two phases. First and foremost, when something like this transpires, there're a lot of actions that are put in place to expand access to care, expand ease of access to pharmaceuticals, professional services, outpatient services, offer more coordination points even working with the Red Cross to get the right medication to the right people the right way.

We are well aware of how to manage those activities and they are well underway. I wouldn't expect a material effect given the broad portfolio of our book of business. You might see a little dampening for a very short period of time but we're not projecting a broad impact here at all.

Scott Fidel (Deutsche Bank):

Okay. And then a follow up question - you highlighted that you expect revenue and earnings growth in 2013. Can you give us some preliminary thoughts on membership growth and specifically how the National Accounts selling season ended up closing out for you.

David Cordani (President and Chief Executive Officer):

Scott, as we noted in our prepared comments, for 2013, given the momentum we continue to build through 2011 and 2012, our broad expectations are that we will grow revenue as well as earnings.

I'd ask you to step back and think about some of our capabilities to enable us to do that in this really challenging environment and then I'll comment on national accounts.

First, our broad funding capabilities in the United States are very helpful as employers of all sizes are looking for the most effective way to align their incentives and engage their employees.

Secondly, our broad portfolio specialty capabilities, health improvement and productivity capabilities continue to be a strong asset for us.

Third, we now have a very well positioned Medicare Advantage portfolio of businesses.

And fourth, our International portfolio of businesses will be extremely helpful to us as we step into 2013.

As it relates to National Accounts, the National Account selling season is sufficiently complete. There're always some open switches that are in front of us.

As we sit here today, we would expect for National Accounts, which we define as commercial employers with 5,000 or more employees that are multistate, defined more narrowly than some define it.

For that marketplace, we'd expect at this point in time, overall a good retention rate for 2013, compared to an outstanding retention rate in 2012.

We expect a very good retention rate in 2013. We see less business as having moved in either direction so the net effect of that is we're expecting that we will maintain share in aggregate in the National segment.

We view the overall national segment as a shrinking segment, by approximately a 2% shrinkage factor because of the employment pattern. We expect to maintain share in that environment.

The last thing I'd add is we expect to further grow revenue and further grow our specialty penetration in that portfolio based on the focus of repositioning that book of business.

Scott Fidel (Deutsche Bank):

Oh okay. So basically just maybe down a couple of percentage points in national accounts for '13?

David Cordani (President and Chief Executive Officer):

Yes, and again, I'd amplify with strong retention, good specialty penetration and overall revenue growth.

Scott Fidel (Deutsche Bank):

Okay. Thank you.

Josh Raskin (Barclays Capital):

Hi thanks. A quick question on a couple of the charges starting with the HealthSpring transaction cost.

I might have missed it but it looks like there was $28 million in the first quarter, and then $12 million in the third, but nothing in the second.

So I'm just curious, what's going on with the timing of transaction costs with HealthSpring?

Ralph Nicoletti (Chief Financial Officer):

Sure Josh. In the first quarter the costs were to complete the transaction we closed at the end of January.

In the third quarter what you see there is a settlement of a final shareholder appraisal rate situation. This charge would be the end to what we would expect to see on those kinds of costs.

Josh Raskin (Barclays Capital):

Okay. That was a six month run out type of thing?

Ralph Nicoletti (Chief Financial Officer):

Right.

Josh Raskin (Barclays Capital):

Okay. On the $50 million realignment, could you give us a little bit of color as to what that means from an organizational efficiency standpoint?

Is this just a headcount reduction? And are those targeted investments being offset by the $60 million a year in savings?

David Cordani (President and Chief Executive Officer):

Josh, it's David. Let me frame that a little bit more broadly. Consistent with our strategy, we've been able to improve our operating expense ratio each of the last several years both as we've grown the business and as we secured productivity gains. And we would expect that to continue into 2013 more broadly.

In addition to that, we've taken a series of actions to further strengthen alignment and identify some operating efficiencies in the company. We're going to use that as an additional pool of resources to reinvest.

The $60 million after-tax is a run rate. So you should expect that to get to a run rate level as we get to 2014 because those actions will be executed throughout the course of 2013 and in the latter part of 2012.

You should think about our strategic investments as consistent with the things that we've been doing.

Market expansion, technology and solution capability, and brand building would be three types of examples of where those resources in addition to existing resources would be amplified to further drive our profitable growth going forward.

Josh Raskin (Barclays Capital):

Okay. You said that the $60 million is a run rate and that these actions are going to continue through 2013.

Does that mean there are additional charges coming as well or is this to cover the expected severance and other actions taken over the next year or so?

David Cordani (President and Chief Executive Officer):

There are no additional charges. It is expected to cover actions that will be taken over the next several quarters.

Josh Raskin (Barclays Capital):

Okay perfect. Thanks.

Justin Lake (J.P. Morgan):

A couple of quick follow-ups on 20'13. Outside of National Accounts, last year you talked a little bit more broadly about overall HealthCare membership growth expectations for January 1st. I was wondering if you could share that number?

Also when you talk about earnings growth can you verify you're talking about net income growth next year?

David Cordani (President and Chief Executive Officer):

Justin good morning it's David. At this point we're not providing detailed guidance for 2013. We'll give you a little bit more insights at our investor day. At this point in time we have good visibility into National Accounts and that's what we sought to frame.

The comment specifically on earnings is net earnings. We are referencing operating earnings growth very specifically, inseparable from EPS.

And more broadly as we said in our prepared remarks we expect to profitably grow our revenue yet again in 2013.

Justin Lake (J.P. Morgan):

Okay. Why did you have a little more visibility on membership at this point last year? Are decisions being made later in the year or anything of that nature?

David Cordani (President and Chief Executive Officer):

I would say nothing broadly. Again we're not going through the detailed 2013 guidance today. We'll provide you more insights at investor day.

The decision making cycle is a little bit later but we have good visibility today on National Accounts.

In our regional segment, which is our largest segment, we have good visibility into the higher end of the size of the case count, but there's a lot of business in the 300 to 700 life account class that are still being worked today. As you know, we are bullish on that segment.

In the select segment, our fastest growing segment, that selling season for 2012 ends on December, 31 of 2012, so even less visibility about 2013 customer count.

Broadly speaking, we will grow revenue. So you should expect to see growth from the franchise and we'll provide more insights in the near future for you.

Justin Lake (J.P. Morgan):

Okay great. And then if I could just even step further ahead into 2014. I'd ask a couple of questions.

One, in Medicare Advantage there's going to be an MLR floor instituted 85%. If you look at some of the stat filings for HealthSpring, the MLRs in some states that are in the mid to high 70s. So curious as to what you think that impact might be from the implementation of the MLR floors.

And then, as you get into 2014 you've got the industry tax being implemented only on risk based business.

If that stays that way one would think that it would, there might be a further shift in the move of midsize employers from risk to ASO which could benefit you.

I'm just curious if you've started also to kind of get the appetite for employers to do that?

David Cordani (President and Chief Executive Officer):

Well Justin first let me just put a backdrop on this. I'll discuss the direction of the MLR floors for 2014.

Then I'm going to ask Ralph to expand on our pricing posture relative to the industry tax which I think is very relevant to your comment.

85% of our portfolio today is ASO. We're a company that believes in having transparent highly aligned programs for our clients and customers. We continue to see good demand today in those programs and we see that continuing.

Specific to the MLR for Medicare Advantage and HealthSpring you're correct there are puts and takes in individual markets and geographies.

As you very well know there will be adjustments to the calculation to the numerator and denominator for activities that are engaged in health improvement and health management.

When you take that into consideration in aggregate the HealthSpring book of business today is approximately compliant with the MLR with some outlier markets.

We take that into consideration with the ongoing management of the HealthSpring book of business throughout 2013. And as we approach the 2014 bidding cycle that will be front of mind for us.

We do not expect a large step function headwind by the time we step into 2014 for the HealthSpring book of business but there will be some puts intakes in individual geographies that we need to manage once you adjust for all the health management activities and programs.

I do want Ralph to expand a little bit in terms of our posture relative to how we're dealing with the industry tax as we step throughout 2013 and this year with an eye toward 2014. Ralph?

Ralph Nicoletti (Chief Financial Officer):

Yes thanks David. Justin as we look at the tax just our philosophy on pricing is essentially to price to underlying cost trends.

So, beginning in 2013, for policies that overlap into 2014 we will include and reflect the industry tax in that pricing.

Ana Gupte (Sanford Bernstein):

Hi. Thanks. Good morning. So I wanted to explore the Medicare outlook for 2013. The selling season is now been underway for a few weeks.

Can you give us a sense for if you would likely expect to exceed the CMS average forecast of 11%?

And then from a margin perspective as you're looking at your designs and comparing it with some of your competitors that might have been adversely selected against would you see this 81% loss ratio as carrying forward into 2013?

David Cordani (President and Chief Executive Officer):

Ana good morning. It's David. To put your very important question in context if you look back over time the HealthSpring strategy and approach to positioning products and services forward one year has been to try to get that delicate balance between enhancing benefits to provide a great value to the customers, working in concert with their very innovative physician partnership relationships, and then generating a fair return from a shareholder standpoint.

They have generated market average growth in their book of business as a result.

They've had relative stickiness with their portfolio because it hasn't undulated back and forth to large land grab movements.

And that process continues as we go forward to try to get that balance. The same team that is actively managed and successfully managed the HealthSpring portfolio to date is managing the bid process for 2013.

And again while we're not providing detailed guidance, we'd expect to grow that portfolio. As you know that portfolio is largely individual MA.

So we'd expect the growth to be in line with the overall business. We'd expect it to have good retention. And we'd expect it to have a very good profitability profile at this point in time.

Ana Gupte (Sanford Bernstein):

Following up again on the Medicare angle. You have distribution as one of your three big pillars of differentiation.

I might have missed this but I don't think you have your retail partnership on the Part D side and I think United put something out as a need to this year and we already have Humana, and Aetna, and Coventry with something.

What are your thoughts on putting them in pharmacies on Part D? And then on the group side the group selling to Medicare Advantage given that was one of the pillars of synergies between Cigna and HealthSpring any movement on that front? What is the outlook for 2013 and 2014?

David Cordani (President and Chief Executive Officer):

Two very important points. To date when you bring both of the organizations together, both Cigna and HealthSpring had approximately the same size PDP books of business.

Both of those books of business were largely auto assigned along with some Web enrollment relationships that came through the CMS with some additional bolt on activities.

And our strategy to date will not deviate from that. As we look to 2013, we expect to keep share or have slight erosion in the PDP book of business but maintain a profitability profile that is very attractive.

Secondly you are correct, the group opportunity is a prospective synergy between Cigna and HealthSpring.

We indicated that that would be a ramped opportunity as we went forward. And we did not articulate a significant step up in 2012 or 2013.

There have been some targeted market activities. There has been some market driven demand because of the attractiveness of the HealthSpring value proposition and network and we expect to see some movement in that through 2013.

But as you think about 2013, what drives the Medicare chassis for Cigna and HealthSpring is the individual MA book of business that has been a strong performing, stable, high retention, and good growth book of business tightly aligned with physician partnership, disciplined across the PDP, and then with some growth opportunity in the group space which will come over time with some movement in 2013.

Ana Gupte (Sanford Bernstein):

And then final one on SG&A. Can you give us a view on what your target efficiency savings are for SG&A in the next one to three years as you put this workforce reduction in efficiency program in place?

David Cordani (President and Chief Executive Officer):

Yes Ana we've not provided 2013 guidance. When we do we will lay that out for you. But in my prior comments I noted that we have generated expense ratio leverage each of the last three years and would expect to generate further expense ratio leverage in 2013. But when we provide guidance we will break that out for you as we have in the past.

Kevin Fischbeck (Bank of America Merrill Lynch):

You talked about pharmacy cost being a driver to some of the strong results in the HealthCare segment. Could you just talk a little bit about what specifically that you're referring to there?

Also, you indicated that you were doing some home delivery of drugs to your Medicare beneficiaries. Was that something that Cigna was doing or was that a new product through Catamaran?

Ralph Nicoletti (Chief Financial Officer):

Kevin, it's Ralph. Our pharmacy business is performing well.

In the third quarter, we saw a mix shift to generics and lower costs in that area as well.

That is primarily what was driving our results in the third quarter even a little beyond what we had internally expected.

Regarding home delivery maybe I'll ask David to comment on that, David?

David Cordani (President and Chief Executive Officer):

Sure Kevin. Essentially what you see is a little bit of the best of both worlds. Our objective for the benefit of our customers or the beneficiaries in the case of PDP and Medicare Advantage is to get the best value when we take a total low cost and clinical efficacy approach.

PDP is notoriously low from a mail order penetration standpoint. And you're able to get a great convenience for seniors by getting maintenance medications for a 90 day supply delivered to their home.

We're at early stages of getting some leverage there and its leverage of both the existing HealthSpring relationship as well as the Cigna PBM capabilities.

Kevin Fischbeck (Bank of America Merrill Lynch):

Okay so we can talk about pharmacy in particular. Is the favorability due to your PDP earnings being higher or is that general medical trends being lower because of the shift to generics?

David Cordani (President and Chief Executive Officer):

Kevin it's both meaningful on the PDB side with what Ralph referenced in terms of both the further movement in generics and the mix in generic. Therefore the cost profile benefits the beneficiary as well as us.

In addition because of the ongoing strong performance of our captive PBM in our commercial portfolio business we see continued improvement in pharmacy costs.

Kevin Fischbeck (Bank of America Merrill Lynch):

Okay. Additionally, you keep ticking up your cash flow cash flow guidance and I think that next year we're looking at another good year for you from a cash flow perspective.

How do you think about dividends when you think about those three capital priorities that you outlined earlier for this year? Does that change at all as you get a full year benefit of all the HealthSpring cash flow next year?

Ralph Nicoletti (Chief Financial Officer):

Kevin it's Ralph. Clearly we feel great about the cash flow and the strong return of capital we have across the different business lines. I would expect that to continue into next year.

Our capital priorities haven't changed as David alluded to in his remarks principally around supporting the base as well as the strategic M&A across the priority areas that he articulated.

And then we'll look at share repurchase and dividend policy on a regular basis as another means of creating value.

Christine Arnold (Cowen):

Hi. Thanks for taking the question. International earnings you've seen a lot of growth with acquisitions.

Can you give us some kind of same store earnings growth that you've seen this year? And is there any reason that that shouldn't grow double digits next year, which was your same store guidance entering this year?

Also, following up on Kevin's question if we think cash flow it feels like $1.7 billion in subsidiary dividends might be doable next year.

How do we think about how much cash you feel you might need to keep as powder dry for subsidiary capital requirements for growth versus how much you could use given what's happening in 2014?

Ralph Nicoletti (Chief Financial Officer):

Christine, first on the capital and the cash flows. Clearly we feel good about where we're landing this year and the cash we have the opportunity to deploy.

We have been averaging a little above our net income on cash generation, which already reflects strong capitalization of our subsidiaries.

So they're generating sufficient cash to keep our RBC ratios well intact and then have the ample room for dividend to the parent.

Christine Arnold (Cowen):

Okay. So something in the neighborhood of $1.8 billion plus in terms of what might be available next year?

Ralph Nicoletti (Chief Financial Officer):

I don't think at this point we want to project where next year is going to be. But I think if you look at our track record we've been able to bring in strong cash flow as you saw this year and deploy it right. And we'll cover that more as we talk in a few weeks on investor day.

Christine Arnold (Cowen):

And then how should we be thinking about international?

David Cordani (President and Chief Executive Officer):

Christine, as you noted we've had some very targeted acquisitions. I'd also note offsetting that in a way has been our focus on additional investment within the franchise.

Organically we're making the investments to open and expand Turkey. Organically we're making the investments to enter India effectively.

Stepping back we're very pleased with both the top line and bottom line growth of that franchise. The core of your question is whether it is reasonable to assume double digit earnings growth as we look forward.

We've indicated to you before that is on our strategic horizon. And we'll provide more detail for 2013 specifically but double digit earnings growth is a reasonable assumption for that business.

Christine Arnold (Cowen):

Thank you.

Carl McDonald (Citigroup):

Thanks. I wanted to focus on your experience rated business in the context of the industry tax and anything else that you'd highlight specific to that business that may be a little bit different as we head into 2014?

David Cordani (President and Chief Executive Officer):

Carl, it's David. Broadly speaking, that business we've indicated is a bit of a niche business and specifically focused on a sub segment of buyers.

It has performed well over time. It continues to perform well. And we see it as being an important product as we look forward.

Secondly from an industry tax standpoint it would be deemed to be more risk based then non-risk based so it would be exposed to the tax.

The important part when you take it all into consideration is that are we able to provide a good highly transparent relationship with an employer, wrap the clinical programs, highly penetrate with our specialty capabilities, and deliver an overall net cost that an employer likes.

There are revenue and expense management benefits for an employer because of the risk sharing nature of the product. So we would expect it to continue to be used on a very targeted basis going forward.

Carl McDonald (Citigroup):

So the conversations that you've had to this point haven't indicated that the tax would be enough to make those experience rated customers consider switching to a fully self-funded product?

David Cordani (President and Chief Executive Officer):

Carl I think it's always hard when you say in an absolute sense. Our whole approach is related to consultative selling.

We sit with clients -- we call an employer a client -- and we have a broad set of capabilities. Long before the industry tax we have environments where experience rated employers would move to ASO or vice a versa.

We expect that phenomenon to continue. The important part is are we able to demonstrate good value by improving health, lowering health risks, and managing total cost in clinical quality and we think that that will continue.

There are employers who may move from experience rated to ASO, but that happened in the past as well. And the industry tax is just another factor that comes into their thought process.

Carl McDonald (Citigroup):

Okay thank you.

Peter Costa (Wells Fargo Securities):

I want to circle back to the cost trend questions from before. You talked about how the second quarter cost trend was 6% to 7% and this quarter your saying 5-1/2% to 6%.

That's a 75 basis point improvement yet when you broke it down by subcomponent you really didn't see any changes other than maybe on the pharmacy side which seems lower.

Did all of that 75 basis points of improvement come from a pharmacy trend? And if so it seems like that it would be hard to do just from a shift to generics all in one quarter? Was there something else that altered your view on trend?

And then lastly regarding pricing for next year you would have been pricing at say 6% to 7% before. So do you think you're positioned now, if cost trends stays at the 5-1/2% to 6% range, to have more substantial margins next year?

Ralph Nicoletti (Chief Financial Officer):

Peter it's Ralph. On the medical cost trend, as it relates to the second quarter, the movement from the 6% to 7% range down to the 5-1/2% to 6% range is across all components in pharmacy and other medical costs as well.

As I mentioned earlier what we saw was essentially the same components move but at a lower rate of increase then what we had thought they would at the end of the second quarter.

Pharmacy was a piece of it but clearly the other aspects of it were part of what you're seeing in the favorable medical costs in the third quarter.

Peter Costa (Wells Fargo Securities):

The prior period development was mostly in the pharmacy side based on, you know, your Part D MLR. So I would assume that's where a lot of the prior period development came from this quarter?

Ralph Nicoletti (Chief Financial Officer):

No actually the prior period was largely in the medical side.

Peter Costa (Wells Fargo Securities):

Okay.

David Cordani (President and Chief Executive Officer):

Peter on the second question it's David. Go back to the context of our business - 85% is ASO. The residual 15% is split between the experience rated and guaranteed cost.

For ASO customers, you're reflecting a trend projection that you will work with them in terms of what they would like to build into their own respective budgets.

Similarly you do the same thing from an experience rated standpoint - agree upon a revenue stream.

Lastly for our guaranteed cost book of business because we do not play in the under 50 market the vast majority of our business is rated on the credibility or the experience of those cases. The point is you have more case specific visibility of costs that you're baking into pricing.

Now having said all that, to the extent our secular trend pick at a given point in time is higher than it actually turns out to be there may be some favorable development.

And if that transpires we would talk about that quarter to quarter as we have in the past. But the case specific visibility and the shared risk visibility tends to mute that for our company.

Peter Costa (Wells Fargo Securities):

Okay thanks. On the experience rated book of business going into next year, are we going to see that business have to give back some of the profitability or are you going to be in a position where you're not really doing that this year?

David Cordani (President and Chief Executive Officer):

There are always some puts and takes when we look at the overall book of business. That book of business has been pretty stable for case level performance and the average portfolio performance and we see no meaningful change looking into 2013.

Peter Costa (Wells Fargo Securities):

Thank you.

David Windley (Jefferies):

Hi. Good morning. Thanks for taking the questions. On your individual business you generally talked about that as being small and opportunistic as we move into exchanges.

I wonder if you could comment on a couple of things there. One, you saw pretty solid membership growth. What is the focus or emphasis there that drove that growth?

And two, what are your current thoughts and expectations about readiness of exchanges and Cigna's preparedness to launch into exchanges?

David Cordani (President and Chief Executive Officer):

Good morning David. You're correct. Our focus to date for the past two and a half years has been to pick a limited number of markets where we have a strong value proposition.

We then target and test a whole variety of product offerings and distribution strategies. From this, we can test and learn and be in a better position as the marketplace moves going forward. You can see the results of that coming through our overall portfolio of business.

Through that process we've tested a whole variety of distribution strategies. And we've leveraged some of our non-US experience where we have significant experience in terms of direct to consumer distribution, Internet based distribution, affinity based distribution and the like.

As it relates to exchanges, as you very well know there are a lot of moving parts still in the marketplace.

We have our posture in terms of those markets that are highly strategic and we'd have a bias to playing in, using our Go Deep strategy.

Our priority for the organization is to get ready to both comply with and play in target markets from an exchange standpoint.

We are keenly focused on the amount of moving parts that exist within the regulatory environment and within the state and federal environment over the next two to three quarters.

David Windley (Jefferies):

That's very good. Thanks. Shifting from my follow-up over to operating expenses you had talked about some investments from earlier in the year in technology and some other things.

Can you could give us an update on the progress there and if you're seeing the efficiency enhancement from those investments already?

Also, as you think about this realignment I'd be curious to understand a little bit more deeply your decision process around dropping those savings to the bottom line versus reinvestment and how much reinvestment do you think you need to do?

Ralph Nicoletti (Chief Financial Officer):

David, the investments we made in the first half of the year are paying dividends for us in the back half on operating expense efficiencies particularly the larger ones as we had noted previously in the telecommunication infrastructure area.

That is reflected in our operating expense ratio in the third quarter and our full year projection. Maybe David you want to comment on the overall program.

David Cordani (President and Chief Executive Officer):

Absolutely. Expanding on your rightful framework, the key for us in terms of executing our strategy is to make sure we are balancing both the near term, the intermediate term, and the long term.

What we're pleased with is that we've been able to deliver expense ratio improvement each of the last years and as we've noticed we will further improve the expense ratio looking into 2013.

Above and beyond that we were able to secure a program to identify additional efficiencies to target investments. Some of those investments will bear fruit relative to efficiencies. Some of them will be product capabilities and new solutions. And some market entrée to further accelerate growth.

We are seeking the right balance. We have executed our strategy over the last three years. We've delivered double digit EPS growth, operating expense efficiency, and attractive revenue growth. That is the balance we're going to seek to have as we go forward as well.

David Windley (Jefferies):

Good thank you.

Ralph Giacobbe (Credit Suisse):

Thanks. Good morning. There's been somewhat of a reemergence of private exchanges at least in the news. What is your view here in terms of the interest level with conversations you've had specifically with ASO clients?

David Cordani (President and Chief Executive Officer):

Sure good morning Ralph. Good to talk with you. Yes there's been some dialogue in the marketplace around private exchanges.

Broadly speaking, we think about them as another distribution mechanism and a different way to frame the market.

It's a way to capture choice and deliver it back to an individual for the employer. We think you'll see some movement in private exchanges over time.

We've been actively managing and engaging in those activities. We're actively engaged today. And we think that'll be part of the equation as you go to the future.

The last thing I would add to it is going back to our non-US experience. We have meaningful experience outside the US where we now have over 10 million individual supplemental policies in force including our joint venture in China.

We have significant experience working with affinity partners, working with electronic distribution, working with choice.

Some of those marketing and distribution capabilities will serve us well here in the United States as it relates to public exchange, private exchange, or direct individual distribution.

So it's a part of the equation going forward. We're actively engaged in it today. And we're going to leverage some of our non-US capabilities to play there.

Ralph Giacobbe (Credit Suisse):

Okay that's helpful. As a follow-up any updated thoughts on the PBM and plans for HealthSpring or maybe even just timing on how you're thinking about that going into the New Year?

David Cordani (President and Chief Executive Officer):

Broadly speaking, we have no directional change to our thought process around the PBM. So let me make sure I re-articulate what it is.

Our PBM has been a strong performing asset for the corporation and for the benefit of our clients and customers.

Our recent results reinforce that. It's a growing asset. It's contributing nicely. And when you think about pharmaceuticals as the number one gap in care in America it's an important clinical quality and service enhancer for customers and clients.

Having said that, once we were able to secure the acquisition of HealthSpring it was acutely obvious that the aggregate pharmacy capabilities of the company were going to grow therefore we needed to make a conscious decision of how we wanted to manage that growth.

We have been very clear that we are thoughtful around making sure that we properly think through all scenarios that are in front of us relative to how we'll manage the PBM capabilities for Cigna as well as for HealthSpring, which is now part of Cigna.

The final note I would make is that we understand that a PBM is made up of a bunch of different parts, mail order, retail, formulary management, et cetera. And we have a keen understanding of those parts.

The good news is we have a high performing asset. It's a growing asset. And we have a large growing asset within HealthSpring both of which have an opportunity to create a lot of value for both our customers and shareholders going forward.

Ralph Giacobbe (Credit Suisse):

Okay that's helpful. Thank you.

Sarah James (Wedbush):

Thank you. In the past you've talked about cost trends benefiting from collaborative care models with hospitals.

And with the HealthSpring acquisition you have the opportunity to do things from the other side with captive clinics and improved understanding as you come to the negotiation table as well as adding more members.

Post these benefits from HealthSpring how are you seeing unit cost increases developing versus past years and how impactful do you think this is been on your enrollment growth or enrollment growth as it pertains to next year?

David Cordani (President and Chief Executive Officer):

Sarah it's David. An important topic and a pretty rapidly evolving space as we noted in prepared remarks.

But before we get to HealthSpring, within Cigna we now have 42 collaborative accountable care organizations which is our approach to alignment for the benefit of our commercial customers.

Within that portfolio, which started back in 2008, we see some meaningful improvement in both service and clinical quality as well as some cost improvement for the benefit of our clients and customers.

You're right to note that HealthSpring has well in excess of a decade of great experience around physician partnership.

That's been a net beneficiary to the Medicare Advantage population that they serve today - serve very well and have continued to grow over time.

As we look to the future, as we noted in our prepared remarks, partnering with physicians is a key part of the equation because it's the means in which you improve clinical quality and you take relative cost out of the system and deliver more value.

We're passionately committed to this and we've seen enough proof points both through the HealthSpring model as well as to our model to indicate that there is significant opportunity going forward.

Lastly I would say from a Cigna results standpoint we're just at the early stages of seeing some of that come through which is why this is so exciting as an opportunity to further generate quality and cost improvements to then convert over to benefit for our clients and customers.

Sarah James (Wedbush):

Okay. And just to clarify that last point there. If it's still in the early phases. is it too early to quantify how it may be impacting 2013 cost trends maybe from a unit cost side?

David Cordani (President and Chief Executive Officer):

Yes Sarah for Cigna -- so if I come back to the commercial population -- if I take an individual client experience that has a lot of concentration in the collaborative accountable care you see some phenomenal results in clinical quality service results and overall cost trends.
You could see low single digits. You could see zeros in terms of cost trends when you have a well-designed benefit structure along with the collaborative accountable care.

The size of the coverage of our twelve and a half million lives versus the number of lives that are going through these programs today tell you that it's muted in the averages we talk about.

Our approach is localized so in those local geographies where those programs are running and with those employers that have a high concentration the results are outstanding and we would expect to see more and more momentum.

To date the aggregate numbers that Ralph walked through have a modest contribution because it's still a small part of the overall average. That's why we're excited about the future.

Sarah James (Wedbush):

Thank you.

David Cordani (President and Chief Executive Officer):

Thank you. In closing I want to emphasize just a few key points from today's discussion. We delivered attractive revenue growth in each of our ongoing business and exceeded earnings expectations.

Our customer base grew demonstrating the unique value we offer and our ability to retain, and expand, and acquire new clients and customers in our targeted segments.

We continue to increase our strategic investments in targeted markets and customer segments while strengthening the value we offer customers and clients by further developing our differentiating capabilities and customer centricity, physician engagement, and consultative distribution.

And based on our third quarter results and momentum we've gained through the first nine months of 2012 we are once again increasing our full year outlook for both earnings and capital available for deployment.

We thank you for joining us on our call today. And we look forward to our future discussions.