CIGNA CORPORATION

FOURTH QUARTER 2011 INVESTOR TELECONFERENCE

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NOTE: Cigna has made editorial changes to this transcript.

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

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

Cigna Corporation and its subsidiaries (the "Company") and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company's filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management's beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include, but are not limited to, the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company's 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 and medical membership results, (v) delivering quality service to members and health care professionals using effective technology solutions, and (vi) lowering administrative costs;

4. the ability to successfully complete the integration of acquired businesses, including the businesses acquired from HealthSpring by, among other things, operating Medicare Advantage coordinated care plans and HealthSpring's prescription drug plan, retaining and growing membership, 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;
5. 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 segment;
6. the possibility that the acquired HealthSpring business may be adversely affected by economic, business and/or competitive factors;
7. risks associated with pending and potential state and federal class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company's businesses, including disputes related to payments to health care professionals, government investigations and proceedings, and tax audits and related litigation;

8. heightened competition, particularly price competition, which could reduce product margins and constrain growth in the Company’s businesses, primarily the Health Care business;

9. 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;

10. significant changes in interest rates or sustained deterioration in the commercial real estate markets;

11. 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; downgrades in financial strength ratings of reinsurers, which could result in increased statutory reserve or capital requirements of the Company’s insurance subsidiaries;

12. 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;

13. inability of the hedge programs adopted by the Company to substantially reduce certain equity market and interest rate risks in the run-off reinsurance operations;

14. 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;

15. 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;

16. significant stock market declines, which could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and the Company’s pension plans in future periods as well as the recognition of additional pension obligations;

17. 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;

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

19. adverse changes in state, federal and international laws and regulations, including health care reform legislation and regulation which could, among other items, affect the way the Company does business, increase cost, limit the ability to effectively estimate, price for and manage medical costs, and affect the Company’s products, services, market segments, technology and processes;

20. amendments to income tax laws, which could affect the taxation of employer provided benefits, the taxation of certain insurance products such as corporate-owned life insurance, or the financial decisions of individuals whose variable annuities are covered under reinsurance contracts issued by

the Company;

21. potential public health epidemics, pandemics and bio-terrorist activity, which could, among other things, cause the Company's covered medical and disability expenses, pharmacy costs and mortality experience to rise significantly, and cause operational disruption, depending on the severity of the event and number of individuals affected;

22. risks associated with security or interruption of information systems, which could, among other things, cause operational disruption;

23. challenges and risks associated with the successful management of the Company's outsourcing projects or vendors, including the agreement with IBM for provision of technology infrastructure and related services; and

24. the political, legal, operational, regulatory and other challenges associated with expanding our business globally.

This list of important factors is not intended to be exhaustive. Other sections of the Company's most recent Annual Report on Form 10-K, including the "Risk Factors" section, the Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011, and other documents filed with the Securities and Exchange Commission include both expanded discussion of these factors and additional risk factors and uncertainties that could preclude the Company from realizing the forward-looking statements. The Company does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Ted Detrick (Vice President, Investor Relations):

Good morning, everyone, and thank you for joining today's call. I am Ted Detrick, Vice President of Investor Relations. With me this morning are David Cordani, our President and Chief Executive Officer, Ralph Nicoletti, Cigna's Chief Financial Officer, and Herb Fritch, who now leads the Seniors Business for Cigna.

In our remarks today, David will begin by commenting on Cigna's full year 2011 results and how our accomplishments in 2010 and 2011, as well as the acquisition of HealthSpring, position us for continued success in 2012 and beyond.

Next, Ralph will review the financial results for the quarter and full year of 2011. He will also provide Cigna's financial outlook for 2012.

We will then open the lines for your questions. Following our question and answer session, David will provide some brief closing remarks before we end the call.

As noted in our earnings release, Cigna uses certain financial measures which are not determined in accordance with Generally Accepted Accounting Principles, or GAAP, when describing its financial results.

Specifically we use the term "adjusted income from operations" as the principal measure of performance for Cigna and our operating segments, and the 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 addition, when we discuss our 2011 Health Care financial results and specifically our results for revenue and membership growth, as well as operating expense ratio, it will be on a basis that adjusts for our exit from non-strategic markets, most notably the Medicare individual private fee for service business. We believe this adjustment creates a better basis of comparison for explaining our financial results.

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

Please note that, in addition to our earnings release and the Quarterly Financial Supplement, we have made available on our website some additional information to facilitate your understanding of our 2011 results and the specifics of our 2012 financial outlook which Ralph will discuss in a few moments.

Before turning the call over to David, I will cover a few items pertaining to our 2011 results and our disclosures for 2012.

Regarding our results, I would note that in the fourth quarter we recorded an after-tax charge of $31 million, or 11 cents per share, for transaction costs related to the HealthSpring and First Assist acquisitions, which we report as a special item.

I would remind you that special items are excluded from "adjusted income from operations" in today's discussion of our 2011 results and our full year 2012 outlook.

Also, as previously discussed, effective January 1 of 2012 Cigna is adopting new guidance regarding the accounting for the deferral of certain costs related to the acquisition of new or renewable insurance contracts. This accounting change restricts the amount of costs that can be capitalized and accelerates the recognition of certain acquisition costs that previously would have been deferred. Cigna will adopt this accounting change on a retrospective basis in the first quarter of 2012, recasting prior periods and recording a one-time non-cash charge of approximately $250 million to $300 million directly to shareholders' equity.

The impact of recasting full year 2011 results for the adoption of this new accounting guidance will be to reduce earnings for our International business by approximately $70 million after tax. We remind you that this accounting change has no impact on the fundamentals of the business. That is, there is no effect on revenues, future cash flows, our statutory capital position or the lifetime profitability of the policy.

Because this accounting change is effective January 1 of 2012, the impact of this change is not reflected in our 2011 results that Ralph will discuss in a few moments; however, when David and Ralph provide commentary on our 2012 outlook, it will be on a basis that assumes retrospective adoption of this accounting change with both 2011 and 2012 being recast on a comparable basis.

And one last item, we announced earlier this week that we have completed the acquisition of HealthSpring effective January 31 of 2012. When we discuss our full year 2012 outlook it will be on a basis which includes the expected results of HealthSpring as of February 1, 2012, excludes any future capital deployments, and assumes breakeven results for our run-off Guaranteed Minimum Death Benefits business, otherwise known as VADBe.

For 2012 we will report HealthSpring's results within our Health Care segment. Going forward, we will not report actual HealthSpring's specific earnings or provide an explicit financial outlook for our Seniors business as we begin to integrate our Commercial and Senior businesses to drive revenue, synergies, and create improved value for our customers and clients.

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

David Cordani (President and Chief Executive Officer):

Thanks, Ted. Good morning, everyone. Before Ralph reviews our results and outlook, I'll briefly comment on Cigna's achievements in 2011 and I'll highlight our expectations for the future.

First, we delivered strong revenues and earnings growth for full year 2011. Overall, these results reflect consistent execution of our growth strategy and demonstrate the value we continue to create for our customers, clients and shareholders. More specifically, our retention, expansion and new business growth in our targeted geographies and customer segments are further evidence of our continued success.

Regarding the fourth quarter, results were consistent with expectations and reflect continued strong operating fundamentals as well as considerable investments in our future. These include service and clinical staffing for the high levels of growth we are expecting for the first quarter of 2012 and increased spending on branding, technology and product development across all of our emphasized businesses. These investments will continue to support future growth opportunities and strategic positioning. Ralph will describe the financial impact of these investments in a few moments.

Second, 2012 is going to be a significant year for Cigna, as we continue to execute our growth strategy, including the recently announced closing of the HealthSpring acquisition, which will accelerate our expansion into the growing U.S. Senior and Medicare markets.

And lastly, we are making ongoing investments into our diversified portfolio to position us to deliver sustainable and attractive earnings growth in 2012 and beyond.

So let's dive in.

2011 was a strong year for Cigna and it marks more than two solid years of execution of our Go Deep, Go Global and Go Individual growth strategy.

For the full year we reported adjusted income from operations of approximately $1.4 billion and delivered earnings and EPS growth of 12%. These results reflect strong organic revenue and earnings contributions from each of our ongoing businesses – Health Care, International and our Group business – demonstrating how our solutions create value for our customers and clients in today's very challenging economic environment.

For our U.S. Health Care business, we delivered membership growth aided by strong client retention. Our results demonstrate that we are gaining market share in our targeted customer segments and geographies. Specifically, we generated organic growth of approximately 17% in our Select segment and approximately 4% in our Middle Market segment. This growth continues to be predominantly in our ASO arrangements. Our highly transparent self-funded plans enabled clients to benefit from our incentive based integrated health and engagement solutions while retaining greater control of the health benefits spending.

For our International business, we delivered revenue growth of 31%, along with sustained earnings growth. This includes growth from our individual Health, Life and Accident business and our Expatriate Benefits business, which we recently rebranded as our Global Health Benefits business to reflect the broadening demand for our services beyond expatriates to include third country nationals, key local nationals and international business travelers.

In our International business, we expanded our distribution capabilities and our product portfolio with the acquisition of FirstAssist, which extends our presence in the U.K. and increases the number of Cigna affinity partners, while also adding a new travel insurance capability to our portfolio.

With more than seven million individual policies and 1 million global health care customers, Cigna's global proprietary network, on the ground operations, established clinical models and local license base to sell in 30 countries and jurisdictions continue to provide a meaningful competitive advantage for us.

In our Disability Group business, our revenue growth and strong profitability relative to our peers demonstrate the value clients realize from Cigna's leading disability and productivity management programs. These programs help employees return to work faster and often prevent disability related absences from happening in the first place. Our approach helps to improve the quality of life for individuals, increases workforce productivity and generates cost savings for our clients and customers.

Looking into 2012, Cigna is well positioned with our differentiated, balanced portfolio of businesses to deliver competitively attractive growth prospects. These include our U.S. Commercial business, where we continue to expect to deliver strong organic growth, our International business, with strong top line and earnings growth in excess of 20%, and the expansion of our Seniors and Medicare business, where the acquisition of HealthSpring is expected to be accretive in 2012 and highly accretive on a cash basis.

It is clear that the U.S. health care marketplace remains volatile and competitive. However, we are succeeding in expanding our existing client relationships and winning new clients who are focused on improving the health of their employee population and their total cost position. As a result, we expect to deliver significant customer growth in 2012. Specifically, we now expect to add approximately 500,000 new commercial health care customers in 2012. This membership expansion is a direct result of repositioning our National Account business and the sustained growth in our Select and Middle Market customer segments.

We will continue to deliver on the fundamentals that our clients have come to expect from Cigna. Service excellence, leading engagement and incentive based programs that provide high clinical quality and lower health care costs, all while maintaining disciplined underwriting and pricing standards.

As I've noted before, private and public health service delivery models will continue to evolve regardless of how health care legislation unfolds. In this environment, greater focus on health improvement, individual engagement and quality align very well with our strategy and capabilities. Let me touch on just a few examples.

Our customer-centric model is anchored in a consultative sales approach with integrated health and productivity solutions designed to meet each client's unique cultural and workforce health profile. Our new brand launched last Fall underscores our focus on the individual and offers highly personalized service experience that is accessible and personally relevant.

This approach is being well received by clients who are seeking to maintain a healthier, more productive workforce, by physicians who are striving to improve health outcomes for their patients, and by individuals who want greater personalization and value for their investment.

A good indicator of the shift to individual engagement is the double-digit growth in consumer-directed health plans that our industry is seeing while membership is declining at traditional HMO and PPOs here in the U.S. Cigna was at the forefront of this transition, investing in and repositioning our customer engagement capabilities long before this market shift occurred. In 2011 our growth from consumer-directed plans is 35% -- more than double the industry average. It is clear that our value proposition is resonating, and we expect to continue to see growth in these plans in 2012.

In addition, we will also continue to drive innovation with Accountable Care Organizations by focusing on creating stronger engagement and care coordination between physicians and their patients through actionable information, assistance and incentives. Cigna now has 17 of these patient centered initiatives with more than 1,800 primary care physicians spanning across 15 states.

With HealthSpring, we greatly enhance our capabilities to service seniors and partner with physicians. HealthSpring offers a unique and proven physician partnering model based on effective engagement, highly targeted data exchanges, integrated care coordination programs and aligned incentives to help patients be healthier, enjoy a better quality of life and lower their overall health care costs.

Herb and I have visited most of the key HealthSpring markets in the last few months. Feedback from HealthSpring's physician partners and employees has been very positive. Visits to HealthSpring's LivingWell Centers provided me a first-hand view into the outstanding service HealthSpring customers are receiving. It is clear that together Cigna and HealthSpring can deliver greater value for our customers throughout all stages of health and life.

In short, Cigna's success with customer and physician alignment in the Commercial segment, along with HealthSpring's proven approach in the Seniors market, creates a complementary platform and positions for attractive future growth.

Looking ahead to 2013 and beyond, Cigna is positioned for a strong future with several engines to deliver competitively attractive growth. These include: our highly focused U.S. Commercial business, where we are seeing increased demand for our health and productivity improvement capabilities. Our strong client retention and new client wins demonstrate we are gaining market share from companies who are seeking to improve their employees' health and lower their total cost. We expect to drive growth in the mid-single digits as we look to the future.

Our International business, where we are experiencing elevated demand for health solutions to serve globally mobile individuals and an increasing opportunity created by the growing middle class in emerging markets. We are continuously evaluating opportunities to expand our international distribution capabilities and product portfolio, as well as invest in new markets where there is demand for our services. We made meaningful organic investments in our future with the opening of operations in Turkey and establishing our joint venture with the TTK Group to offer health, wellness and insurance products in India. We are now selling in Turkey and expect to begin selling in India in 2013 following regulatory approval.

Our Seniors and Medicare business, where growth opportunities are increasing due to the aging population, eroding health status and evolution of business models to improve quality and cost outcomes by engaging and incentivizing physicians. As we move forward, we plan to expand HealthSpring's offerings beyond their current markets to leverage Cigna's broader U.S. footprint, including established relationships with physicians and hospitals. We also plan to extend the value of HealthSpring's physician engagement model by developing new commercial offerings.

By leveraging Cigna's and HealthSpring's combined capabilities, we expect to deliver continued growth by extending our health solutions across the government, employer-sponsored and individual consumer segments.

Taken together, we continue to expect to deliver 10% to 13% EPS growth over the next three to five years.

Now before I turn it over to Ralph, let me just reemphasize a few points. Our full year 2011 results reflect significant revenue and earnings contributions from each of our ongoing businesses, balanced with strategic investments to position us for the future.

I am pleased with our continued progress in executing our growth strategy. Our results reflect a dedication and commitment of the more than 30,000 Cigna colleagues around the world who are working to improve the health, well-being, and sense of security of our nearly 70 million customer relationships.

The milestones we have reached and the steps we will take this year provide us with the opportunity to deliver sustained growth in 2012 and beyond. I believe our 2012 outlook represents a competitively attractive result and we are positioned for long-term sustainable growth.

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 full year 2011 results and also discuss our outlook for the full year 2012, including contributions from the HealthSpring acquisition. In my review of consolidated and segment results I will comment on adjusted income from operations. This is also the basis on which I'll provide our earnings outlook.

We had a very strong 2011, driven by effective execution of our strategy, and are carrying solid momentum into this year. Our 2011 results include several key accomplishments, specifically top line growth for each of our targeted businesses, attractive organic membership growth in our targeted markets, Health Care earnings growth of 15%, International earnings growth of 19%, earnings per share growth of 12%, just to name a few.

Our fourth quarter results were in line with our expectations, and we generated strong overall revenue and earnings contributions, while making significant strategic investments in capabilities in each of our businesses.

Our full year 2011 consolidated revenues were $22 billion. Revenues reflect growth in premium and fees of 6% in Health Care, 32% in International and 4% in Group Disability and Life, driven by continued success in our targeted customer segments.

Full year consolidated earnings for 2011 were $1.43 billion, compared to $1.28 billion in 2010. Earnings per share for 2011 was $5.21 per share -- a 12% increase over 2010, reflecting strong earnings from each of our ongoing businesses. Our 2011 earnings per share were $5.24, adjusting for the dilution of approximately 3 cents per share related to the shares issued in the fourth quarter for the HealthSpring acquisition.

Turning to Health Care, 2011 premiums and fees grew to $13.2 billion, representing a 6% increase from 2010. Full year Health Care earnings were $990 million and reflect contributions from sustained growth in our medical and specialty businesses, as well as the impact of favorable prior year development.

Importantly, we have increased our spending on strategic investments in the fourth quarter in branding and technology to support future growth in membership and capabilities. These increased investments amounted to $40 million before tax, or approximately 9 cents per share on an after-tax basis.

We ended 2011 with 11.5 million Health Care members, which is approximately 2% higher than year-end 2010. As David noted, our membership growth is aligned with our Go Deep strategy and particularly strong results in our Middle Market and Select segments where we offer clients differentiated funding alternatives and product solutions through a consultative and incentive based approach.

Turning to medical costs, in 2011 we achieved a competitively attractive commercial medical cost trend of approximately 5% for our total book of business. I would remind you that approximately 90% of our customers are in funding arrangements where they directly benefit from these medical trend results. Across our risk book of business our fourth quarter earnings include favorable prior period claim development of $24 million after tax. For the full year 2011, the impact of favorable prior year claim development was $53 million after tax, including a negligible amount in the fourth quarter.

Specific to commercial guaranteed costs, our full year 2011 Medical Care Ratio or MCR was 79.7% on a reported basis. Excluding prior year claim development, the commercial guaranteed cost MCR for 2011 was 80.9%, including the effect of our rebate accrual.

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

For the full year 2011, the total operating expense ratio was 27.2%, which is a 50 basis point improvement over the 2010 expense ratio.

Now I will discuss the results in our other segments. Cigna's International business continues to deliver attractive growth and profitability. The results reflect strong retention and further product penetration of existing customers as well as targeted new sales.

Premiums and fees for 2011 totaled $3 billion - up 32% year over year, driven by strong customer retention and growth within our Health, Life and Accident business and our Global Health Benefits business. Our top line growth drove earnings of $289 million in 2011, which represents a strong 19% increase over 2010.

Full year results were driven by strong customer retention and growth in the Health, Life, and Accident and Global Health Benefits businesses, partially offset by an elevated MCR in our Global Health Benefits businesses, in part due to business mix, as well as higher spending on strategic initiatives.

Our earnings in the fourth quarter were consistent with our expectations and demonstrate continued success in the marketplace. These results reflect solid top and bottom line growth, partially offset by continued strategic investments for future growth, some cost to streamline operations, and unfavorable changes in foreign tax law, all totaling approximately $10 million after tax or about 3 cents a share.

In our Group Disability and Life segment, premiums and fees for 2011 were $2.8 billion. Group premium and fees increased 4%, including 9% growth in our targeted disability business. Full year 2011 earnings were $282 million, which was in line with our expectations and a good result in the challenging economic environment. We continue to deliver value to our market leading disability and productivity management model, which focuses on early customer engagement and leverages Cigna's proven clinical capabilities. Full year 2011 earnings also reflect favorable life and accident experience, partially offset by higher disability claims as well as the impact of strategic investment.

Finally, I would remind you that fourth quarter 2010 earnings included an after-tax gain of $11 million from the sale of our Workers' Compensation and case management business.

Results for our remaining operations, including Run-off Reinsurance, Other Operations and Corporate, totaled to an after-tax loss of $133 million for the full year of 2011. The full year 2011 results include the third quarter reserve strengthening related to our run-off VADBe book of business. No additional VADBe reserve strengthening was required in the fourth quarter.

Overall, our 2011 results reflect strong revenue and earnings contribution from each of our ongoing businesses, and these businesses continue to generate significant free cash flow.

Turning to our investment portfolio, we are pleased with our results in 2011. For the full year, we recognized net realized investment gains of $41 million after tax, coupled with strong net investment income results. Our commercial mortgage loan portfolio continues to perform well in a challenging economic environment. Overall, we continue to be pleased with the quality and diversification of our investment portfolio. Our strong investment management capabilities and disciplined approach to risk management have delivered solid results.

Before turning to our 2012 outlook, I'll now provide an update regarding our acquisition of HealthSpring. We are pleased to announce this week that we closed the transaction on January 31, a very good outcome from a timing perspective. We have been engaged with the HealthSpring management team on integration plans to recognize significant growth opportunities as well as cost efficiencies over time.

Consistent with our previous discussions, we expect the acquisition to be earnings accretive in the first full year and highly accretive on a cash basis. I will provide some color on the expected HealthSpring contribution in my discussion on the 2012 outlook.

Now turning to 2012, we are carrying solid momentum into the year from strong membership driven revenue growth, earnings growth off a strong 2011 and strategic investments which will provide sustained growth into the future, most significantly, the HealthSpring acquisition. This outlook reflects our expectation that the global economic conditions will remain challenging and that the U.S. unemployment rate remains essentially unchanged.

Based on our current view, for full year 2012 we expect consolidated adjusted income from operations of $1.46 billion to $1.57 billion, and EPS of $5.00 to $5.40 per share, reflecting continued strong underlying results in each of our ongoing businesses. Adjusted for prior year reserve development and VADBe reserve strengthening, this represents growth of 2% to 10% in earnings per share over 2011.

I would remind you that, consistent with our prior practices, our outlook excludes any contribution from future reserve development or capital deployment.

For our Health Care business, including the impact of HealthSpring, we expect full year 2012 earnings in the range of $1.12 billion to $1.19 billion, compared to 2011 results of $937 million, excluding prior year claim development. This outlook reflects continued benefits from customer driven revenue growth, specialty contributions and operating expense leverage.

I'll now summarize some of the key assumptions reflected in our Health Care earnings outlook for 2012, starting with membership.

We anticipate full year 2012 membership growth of approximately 900,000, driven by organic growth and the addition of customers through the HealthSpring acquisition. We expect government medical membership to grow by approximately 400,000. HealthSpring added 365,000 Medicare Advantage customers at the acquisition date, and we expect some additional Medicare Advantage and Medicaid membership growth during the year.

We expect commercial medical membership to grow by approximately 500,000, which is higher than what we had previously discussed. This growth is across all of our targeted market segments and essentially all in our ASO funding arrangements. We expect the majority of that growth to be delivered in the first quarter.

Turning to medical costs, our outlook assumes an increase in medical services utilization during 2012. For our total commercial book of business, we expect full year medical cost trend to be in the range of 6% to 7%, which is above the amounts we realized in 2011. These expected medical costs have been reflected in our pricing for 2012.

Based on these factors and change in business mix, we would expect the full year MCR to be in the range of 81% to 82% for our commercial guaranteed book of business, which is approximately 50 basis points higher than the full year 2011 results, excluding prior year developments. Our Medicare Advantage MCR for the full year is expected to be in the range of 81.5% to 82.5%.

Regarding operating expenses, for full year 2012 we expect the total health care operating expense ratio to be in the range of 22.5% to 23.5% based on our current outlook for membership growth and business mix.

Pulling the pieces together, we expect full year 2012 Health Care earnings to be in the range of $1.12 billion to $1.19 billion.

We expect HealthSpring to contribute $160 million to $180 million to Health Care segment earnings, excluding transaction costs that will be reported as a special item. The 2012 earnings contribution from HealthSpring reflects approximately $130 million after tax, or 45 cents per share for depreciation and amortization expense. This acquisition has significant strategic value and is immediately accretive. In addition, on a cash basis, we expect to realize approximately 10% accretion in 2012.

Now moving to the other components of our outlook, for our International business we expect continued strong top line growth and earnings in the range of $265 million to $285 million, which represents continued attractive growth on top of the strong 2011 earnings of $219 million, adjusted for the required accounting change for a deferred acquisition cost adopted in 2012. This outlook reflects continued strength in both our Health, Life and Accident, and Global Health Benefits businesses. The outlook also includes the impact of increased investments in new market expansion as well as ongoing contributions from the Vanbreda acquisition.

Regarding Vanbreda, while we saw better than expected earnings contributions in 2011 associated with this acquisition, we estimate that the earnings contribution in 2012 will be consistent with 2011, which is less than our original expectation, due in part to competitive pricing pressures as well as a low level of internalization of the insurance underwriting for some of our clients. We continue to view the strategic rationale and long-term growth opportunities for this business as attractive. Importantly, overall we expect international earnings growth of 21% to 30% for 2012, with growth in both our Health, Life and Accident and Global Health Benefits businesses.

For our Group Disability and Life business, we expect full year 2012 earnings in the range of $260 million to $280 million, which reflects a competitively attractive result in a continued challenging economic environment. This outlook for Group assumes revenue growth for both our disability and life books and strong execution of our disability management model, as well as increased investment in customer facing capabilities.

Regarding our remaining operations - including Run-off Reinsurance, Other Operations and Corporate, we expect a loss of $185 million for 2012, inclusive of additional interest expense of approximately $55 million after tax associated with the incremental debt issued to finance the HealthSpring acquisition.

So all in, for 2012, we expect consolidated adjusted income from operations of $1.46 billion to $1.57 billion and consolidated EPS in the range of $5.00 to $5.40 per share.

I'll now discuss our 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 the parent, reflecting the strong return on capital in each of our ongoing businesses.

Regarding the HealthSpring acquisition, we have put in place a financing structure that allows us to maintain good financial flexibility. We ended 2011 with parent company cash of approximately $3.8 billion, which was used to fund the HealthSpring acquisition. For full year 2012, we expect subsidiary dividends of approximately $1.3 billion. After funding the HealthSpring acquisition as well as other sources and uses of capital in 2012, this outlook indicates that we would have approximately $900 million available for deployment, approximately half of which we would attempt to hold for capital flexibility as a parent.

Overall, our capital position and outlook remain strong, and our capital deployment strategy and priorities remain unchanged. We will provide capital necessary to support the growth of our ongoing operations as well as supporting our pension plan and Run-off Reinsurance business. We will pursue M&A activity with the focus on acquiring capabilities and scale to further grow in our targeted areas of focus. And, after considering these first two items, we would return capital to shareholders, primarily through share repurchase. I would remind you that we executed on each of these in 2011.

Now to recap, our full year 2011 consolidated results reflect the strengths of our global diversified portfolio of businesses and effective execution of our focus growth strategy, with solid growth in our targeted customer segment.

We expect the momentum from our 2011 results will position us well for strong growth in 2012 highlighted by strong revenue growth as well as attractive customer growth, earnings growth off of a strong 2011, EPS growth with the opportunity for excess cash deployment, a positive impact from the HealthSpring acquisition and targeted strategic investments, which provide the same growth into the future.

We will now turn it over to the operator for the Q&A portion of the call.

Scott Fidel (Deutsche Bank):

Thanks. Can you share some views on the revenue outlook for 2012, both a consolidated revenue view and then some guidance around what you're expecting for the Health Care business?

David Cordani (President and Chief Executive Officer):

Scott, it's David. I'll start. I understand we didn't provide a detailed revenue outlook. If you take the comments that I made and Ralph made, we expect strong retention and good client adds throughout all of our businesses. So we have good revenue growth, very importantly, in the specific geographies and buying segments. I'll comment specifically on Health Care.

Within the Health Care business we step out of 2011 with net growth of about 2% in terms of new customers. Stepping into 2012, as we noted in our prepared remarks, we've increased our outlook from at least 400,000 to 500,000 commercial lives. What's exciting about that is: one, the vast majority of that will show up in the first quarter; two, it's heavily oriented to the ASO business portfolio with the engagement and incentive based programs that are attached to it; and three, there is some good balance and symmetry in all of our operating segments – the National segment contribution, the Middle Market segment contribution and the Select segment. So we feel good about both the quality and the location of both segments and geographies for our revenue growth. Ralph, would you add anything to that?

Ralph Nicoletti (Chief Financial Officer):

The only thing maybe I'll add is within the Health Care segment, on our guaranteed cost portion of the business, which is a smaller percentage of the total, there is some pricing in there to the cost trend as well. That will play to the revenue, with no change to the medical cost ratio net. There's a little bit of revenue lift just from the small part of our guaranteed cost book.

Overall, you could think of it as, long term, we look at this business growing in mid single digits on the revenue line.

Scott Fidel (Deutsche Bank):

Okay. A follow-up question on the D&A expense guidance. Can you walk us through the accounting treatment that you're using for that and then what you expect for D&A expense in the out years. I think you're using a declining balance approach, so should that start to come down, or do you expect that to be similar in 2013?

Ralph Nicoletti (Chief Financial Officer):

The earnings contribution from HealthSpring is affected by amortization. I had mentioned in my remarks it is $130 million after tax. The valuation is still being finalized by some outside experts but this is a pretty good estimate. The phasing of the amortization is, as you point out, skewed to the early years. So what we would expect to see over the next several years is about a 10% to 15% decline in the level off of this year, over the next several years.

Scott Fidel (Deutsche Bank):

Okay. Thank you.

Ana Gupte (Sanford Bernstein):

Hi, thanks. Good morning. I wanted to follow up on your commercial guaranteed cost results for the quarter. It's not terrible by any means, but that being said, Aetna came up pretty clearly saying that utilization is low. Additionally, your days in claims payable seems to have trended down significantly, and it certainly wasn't anything to write home about in terms of the beat. So I'm trying to understand what exactly is causing a result that's in line to probably slightly worse than even your own expectations. Is it seasonality or did you accrue later? I understand you have a different methodology. Or are you seeing anything to do with pricing? One of your competitors says your under pricing doesn't show up in your premium yields. Or is it trend?

Ralph Nicoletti (Chief Financial Officer):

Ana, it's Ralph. There are a couple of parts to your question. First, overall we came in where we expected, and I would remind you our guaranteed cost of book of business is a small piece of our total portfolio. Regarding the comment you made on the payable, there is some noise in there because we exited the private fee for service business. As those liabilities ran out you see a reduction in those liabilities. So when you strip that out it's a fairly even level year-to-year. So there is some noise in the numbers year-on-year. And, importantly, in the fourth quarter, you see a jump year-on-year, quarter-on-quarter. Again, full year it's essentially where we expected.

In the quarter you see a big jump because just the prior period development flow into the fourth quarter of 2010 was significantly higher than the flow of prior period development on our guaranteed cost of book to business in the fourth quarter of this year. There was about a 400 basis point swing and primarily because of that. So absent the change in the prior period flow, we're essentially flat year-on-year.

Ana Gupte (Sanford Bernstein):

Okay. To follow up on that, it sounds like pricing and my math tells me it's okay. So days in claims payable you're attributing to the Medicare individual private fee for service and then the MLR largely to reserve headwinds. Going forward, can you tell us what is being embedded in your outlook for Health Care in terms of your cost trend? Would you be able to highlight the puts and takes in terms of the tailwinds from unit cost, possibly the reform provisions, which are one–time, and then possible headwinds from COBRA which you don't see now, utilization increase if you're seeing it, or, what exactly are you embedding in your expectations?

David Cordani (President and Chief Executive Officer):

Ana, it's David. I'll start and ask Ralph to embellish on the trend piece. As you started your second part of your question your headline is right. The pricing, and underlying medical cost trend are, as Ralph said, in line with our expectations for 2011. We feel good about it.

And to be very clear, we don't see any pricing issue relative to that small book of business. Secondly, in Ralph's prepared remarks he referenced approximately 5% medical cost trend for 2011. We feel good about that. He referenced an uptick in that medical cost trend going into 2012. That is predominantly utilization oriented, as we're making assumptions that utilization will escalate up from the lower level that exists today. To your question, we're pricing for that in our assumptions as we move forward within our book of business.

To the extent it doesn't manifest itself or it manifests itself more slowly, we'll see that in our results as we go forward. The last thing I'll say is the rate execution that we have with our physician and hospital partners for 2012 is also in line with our expectations. A meaningful amount of the large contracts are entered into in the first quarter of the year, and our team's doing a good job in terms of partnering with physicians and hospitals in terms of revenue management for them, administrative cost savings, etc.

So that basic rate execution is in line with our expectations, and we've had several years of consistency around that. The headline is we're comfortable with the pricing for 2011 and 2012. We feel good about the medical trend we delivered in aggregate for our book of business in 2011. Step off into 2012, we're in line with our expectations, and our rate execution from a contracting standpoint is in line with our expectations and is the third year of consistency for us.

Ralph, any more color on the medical cost trend assumptions?

Ralph Nicoletti (Chief Financial Officer):

Essentially for 2012, there may be some wiggle in there because of mix, but to David's point, we're pricing to where the trend is so you'd expect the ratio to be fairly even year to year.

Ana Gupte (Sanford Bernstein):

So then I'd conclude that there is some upside to your Health Care guidance assuming the low levels of utilization that currently persist. They remain throughout the year because you're pricing for something that's above what you're seeing now?

David Cordani (President and Chief Executive Officer):

Yes. You have to draw your own conclusions. But as we've tried to lay out in our prepared remarks, really there are two things relative to that point that we try to be very clear on. One, it's our practice and we're consistent with we do not put any assumption for reserve development in our future year. Anything that transpires, we provide transparency and clarity. Two, we've projected for an uptick in utilization. You see the trend numbers we talked about. We priced for that. To your conclusion to the extent it manifests itself at a slower or different rate, there'll be both contribution to our clients and customers and some contribution for our shareholders.

Ana Gupte (Sanford Bernstein):

Yes. Thanks very much.

Josh Raskin (Barclays Capital):

Good morning. My question is on the guidance 2012. It sounds like membership is probably coming in a little bit better than your long-term expectations, and you are talking about HealthSpring being accretive. And yet the guidance is at 2% to 10% EPS growth. You're talking about 10% to 13% growth long term. So, should we think about 2012 as being a bad year?

David Cordani (President and Chief Executive Officer):

Good morning, Josh. It's David. We view 2012 as a good year, and so let me put context around it. And, importantly, I want to start from where your question is.

The marketplace and the market demand, when we look at 2012, 2013 and beyond, we continue to see the shift here in the U.S. of the orientation of buyers around the health and productivity focus, an orientation around the movement toward incentive engagement-based programs, both for the consumer and client, but also increasingly in terms of physician partners.

There is increasing demand for the transparent programs that we offer, whether it's ASO or experience rated.

Outside the U.S., the palpable continued growth of the middle class and emerging markets and the growth of the globally mobile all bode well for us as we look to buying trends.

To your point, we feel good about the top line positioning, both in terms of what we're stepping out of 2011 and into 2012 within the U.S. and outside the U.S. As we look at our 2012 guidance, there are a variety of things that we assume in it.

First and foremost, as we referenced, there is no capital deployment in the way we build up our assumptions. There is no reserve development in the way we build up our assumptions. We're stepping into the year with the 500,000 customers in the U.S. Health Care business and strong growth in our International business. We'll have 11 months of contributions from HealthSpring.

As Ralph also articulated, we have a first year upward skewing of the amortization that comes along with the HealthSpring acquisition. Taking all of that into consideration, plus the full year of financing, we have an outlook that is in the 2% to 10% range.

If you bookend that with 2011 and the directional comments I made for 2013, the 10% to 13% is a multiyear view -- not a year in, year out. We are making investments in the strategic positioning in the company to make sure we could continue to deliver that.

So we view 2012 as a good year. We view 2011 as a good year, and we're quite excited about setting up an even more attractive year as we look to 2013.

Josh Raskin (Barclays Capital):

So let me ask it a different way. If 2012 is a good year, one in which you're getting HealthSpring, then I think it would probably be very helpful if you could give an EPS number in terms of the accretion from HealthSpring as well on top of this.

But it sounds like 10% to 13% long term is predicated on this additional growth, which sounds like that's not lacking in 2012. You're certainly seeing that. And like I said, it sounds like HealthSpring's accretive, so I'm just curious how you get from a good year in '12 being 2% to 10% to a long term average of 10% to 13%.

David Cordani (President and Chief Executive Officer):

Josh, I'll try to give it to you at a macro level, and there are a couple of supplemental pieces of information as Ted noted in the advance materials. I'll then ask Ralph to expand on HealthSpring specifically.

Consistent with what we talked to you about in our investor days and other discussions, as we look forward, we see our U.S. commercial business with the focus of delivering the same mid single digit revenue growth opportunities with somewhat above that in terms of earnings growth.

We see the Medicare and Senior space delivering high single to low double digit revenue growth and earnings opportunities. And we see the International business continuing to deliver mid to upper teens delivery of results on a growth basis.

As we've talked about before, we have the additional capital deployment that would come off of our free cash flow. So it's the combination of those that come together. The organic contribution with the balance in our portfolio of the U.S. commercial business, the Seniors and then the International business with ongoing capital deployment that steps us up as we go forward. So, Ralph, I'm going to ask you just to highlight the EPS we expect in 2012 from HealthSpring. I think that'd be helpful.

Ralph Nicoletti (Chief Financial Officer):

Sure. Josh, as David mentioned, we posted a slide on our website that will help bring some clarity to this, beyond our speaking points.

When you look at the earnings outlook for HealthSpring, we put it in the range of $160 million to $180 million on an accretion basis, which would be 3 cents to 10 cents per share accretive. If you add back the amortization which we pointed out was skewed to the early years, it would bring us to 10% cash EPS accretion. So immediate accretion in the first year.

Beyond that, there are some other things. There is another month of earnings coming through in 2013. There are only 11 months in 2012. The amortization does pare down over time, as we pointed out. And then the build of cost and revenue synergies and growth opportunities are really out ahead of us, beyond 2012. So the opportunity for additional accretion and value creation is really going well beyond 2012.

But the good news is we're immediately accretive, right out of the gate.

John Rex (JPMorgan):

Thanks. I'm going to continue in kind of the same path here. I want to focus exclusively on the Health segment and for a moment I want to focus on the legacy Health segment so ex-HealthSpring. If you take out the favorable development, midpoint guidance would look for about 5% operating growth. Is that correct?

Ralph Nicoletti (Chief Financial Officer):

That's about right.

John Rex (JPMorgan):

Okay. So, wouldn't you characterize this as a really good year for enrollment gains for you? I wouldn't expect every year to trend this well, so can you help me understand why you are delivering so little to the bottom line in terms of impact for what should be kind of a very low variable cost add here?

And the issuing being the midpoint of earnings growth for this segment in what seems to be like a very good enrollment year.

Ralph Nicoletti (Chief Financial Officer):

Yes John, let me try to frame that broadly and good morning to you. One, you should recognize that when you have a first year contribution of lives there is cost of setting up those lives. We're building a high quality future annuity that we like. Secondly, we've been very clear. We are continuing to make very targeted investments in the business. And we'll continue to make those investments. We've expanded our brand spending. We're expanding some capability builds and we're making trade offs around that.

That presents both a headwind and a tailwind opportunity for the rate and pace of the investments we'll make relative to that. Finally, consistent with my answers before, we're making an estimation that there is going to be some uptick in medical cost trend as we go forward.

So we think the estimate that's on the page is a prudent estimate and it's an estimate that's based upon both the underlying earnings power, stepping off a very strong 2011 as you said, with or without the reserve development, and represents good organic growth.

Very importantly, we're choosing to invest back in the business, and we will guide the rate and pace of that as we look at the fundamentals. These investments bode well in terms of yield, and we'll continue to make those investments as we look to the future.

John Rex (JPMorgan):

How would you characterize those incremental investments so we can think about what headwind they're creating? And as a follow-up on that, are there HealthSpring integration costs that are meaningful that are being incorporated in the outlook that would not recur in the out year?

Ralph Nicoletti (Chief Financial Officer):

In 2012, there are some but not that significant, and while we don't have the detailed plan forward beyond 2012 fully laid out, I think you'd expect 2012 and 2013 to be relatively even in the amount of integration costs that flow in both of those years.

John Rex (JP Morgan):

Can you size those, Ralph?

Ralph Nicoletti (Chief Financial Officer):

I'd rather not at this time because we just closed the transaction and are formulating those plans. I think, importantly, the tailwinds on these synergies are both cost and revenue growth oriented, really all outside of 2012.

So they will really be coming in 2013 and beyond. There's very little, if any, in 2012. And then you have the benefit as we talked about, of the timing items of the additional month and the amortization skew.

David Cordani (President and Chief Executive Officer):

John, on the first part of your question and as you'd expect, I'm not going to give you a pinpoint answer. But your question was the step up in investments and versus the 5%.

You can think about several points of discretion that we're taking in terms of redeploying operating earnings back into the business above and beyond the historic run rate. And we'll make tradeoffs. So back to your typical question of headwinds and tailwinds, we've demonstrated over the last couple of years that we'll make tradeoffs relative to the rate and pace of those investments -- be they technology, geography, brand, capability build out -- but we'll continue to do so because we're running the business for the long term.

John Rex (JP Morgan):

Okay. And then one broad question: across your book and your outlook for 150 basis point step up in trend, have you seen any evidence that utilization patterns have changed from what you saw in the fourth quarter of 2011essentially?

Ralph Nicoletti (Chief Financial Officer):

No, we haven't at this point.

John Rex (JP Morgan):

Okay, great. Thank you.

Justin Lake (UBS):

Thanks. Good morning. First off, I was hoping you could walk us through the pressure on the disability business in the fourth quarter and what are the moving parts embedded for 2012 in terms of a reserve, like the benefits from 2011 that won't reoccur? And the expectation of what would be embedded expectation for those higher fourth quarter costs trending into '12?

Ralph Nicoletti (Chief Financial Officer):

Justin, I'll take that one. In terms of the fourth quarter a couple of points I'd want to make. One is that, importantly, a year ago in the fourth quarter we had a gain of about $11 million from the sale of workers' compensation and case management business. So that's affecting the comparison, but having said that, even if you adjust for that, earnings were slightly down in the quarter year on year, and what we're seeing there is some favorable claims experience continuing on the life side of the business. Additionally, we've been seeing an increase in claims in the back half of this year on the disability side of the business, which is offsetting some of the favorable life side.

We continue to make investments on both systems and capabilities in terms of case management and being able to work with our clients and customers on early engagement and managing through for better outcomes, which ultimately over time is going to play out in improving disability trends, which we've seen in the past.

Those pieces are all moving and that's why you see the slight decline in the Group earnings, even after adjusting for the non-recurring gain in 2010. When you move into 2012, our assumption is that we're going to be in a continued difficult economic environment.

And on that basis we're expecting to see some of the pressure on the disability claim side continue in line with recent experience, combined with continued good performance on the life side. Not necessarily getting earnings lift but continuing to see good performance there and then making some year on year modest investments, which is why you see the range that we put out there to be even to slightly down relative to this year's results. We are exiting this year with the appropriate level of reserves on the balance sheet, and we're comfortable how that's been set up given the experience we've seen.

Justin Lake (UBS):

Okay, great, and a follow-up here, on the other operating cost lines, I see in Health Care you spent about $100 million this year on individual market expansion. I'm just wondering what is the return there given it hasn't been a huge business for you historically in terms of profit? What do you see that becoming, and if you look ahead to 2013, it might have some lower costs and therefore from HealthSpring you might have an accelerating year there. Are we going to see further investments and, if so, in what other segments might there be something you know looking to spend some dollars?

David Cordani (President and Chief Executive Officer):

Good morning, Justin. It's David. Let me frame that and then answer the specific question. First, we have a very successful individual franchise outside the U.S., and I want to touch on the key strength there because it converts over to some of the U.S. direction. Our key strength there is really market segmentation and targeted needs identification down to micro segments, product development and innovation and then the multi-channel distribution, be it telemarketing, internet distribution, direct response television. Back here in the U.S., the line you're talking about over the last two years we've been driving some very targeted pilots in the individual primary space to drive some targeted growth.

We wanted to target about 100,000 lives or so over a couple of years, which we did in some specific geographies, and test some innovation, product design and underwriting approaches, while seeing the change in regulatory environments, some micro sub-segmentation, and some different distribution channel approaches.

While we did broker and agent distribution, we also did distribution outside that, and we're able to grab some very good learnings. From a profitability standpoint, while the loss ratios are in line with our expectations, it's a sub-scale business so the expense ratio is not where you'd want it to be on a long-term basis.

Lastly, it bridges back to your comment, one of the things we're quite excited about with HealthSpring is since health care, especially individual health care, is so local, the ability to use what we call a physician directed network approach and physician directed partnership approach to offer very targeted commercial offerings for individuals as we go forward. And we're going to seek to build on that. It's not about what is built in to our 2012 estimation as Ralph mentioned, but instead, revenue growth and profitability synergies that are broadly 2013 and beyond.

We will build on that, so what you're seeing in the expenses is the underlying operations for that, about 100,000 lives, and there will be a little bit more growth for that as we target some initiatives in 2012, and we're excited about stepping into 2013 well in advance of 2014 changes in distribution.

Justin Lake (UBS):

Great, thanks.

Christine Arnold (Cowen and Company):

Hi, a couple of quick follow-ups here. I estimate that the prior period development last year, $64 million all guaranteed cost was worth about 620 basis points on the guaranteed cost loss ratio. Was all the prior period development that you reported in the fourth quarter this year in the guaranteed cost line?

Ralph Nicoletti (Chief Financial Officer):

No, only a portion of it was. I think around $8 million or so.

Christine Arnold (Cowen and Company):

So $8 million guaranteed cost, where was the rest?

Ralph Nicoletti (Chief Financial Officer):

On our experience rated book.

Christine Arnold (Cowen and Company):

Why is Vanbreda not growing earnings in 2012?

David Cordani (President and Chief Executive Officer):

Christine, it's David, good morning. Relative to Vanbreda, first off for 2011 the earnings contribution from Vanbreda was a bit higher than our expectations. A little bit of that was some internalization of the underwriting margins a bit ahead of plan for 2011 versus 2012, some of it was expenses, some of it was new business growth.

Looking into 2012, the 2011 base is a little higher, but at the end of the day the 2012 number is lower than our original 2012 expectations, caused by two forces. First, competitive pricing environment in the global landscape relative to that sub-segment is elevated and we're maintaining our pricing discipline, so less business. Secondly, the rate and pace of internalization of some of the underwriting margins are lower or less than we had planned for, for 2012, so net-net better in 2011, less in 2012.

As Ralph mentioned, strategically we still feel good about the asset and with that movement in 2012, which you'll note with our International guidance, we're still expecting to grow the International earnings in the 20 to 30% range in 2012, which we think is an outstanding result.

Charles Boorady (Credit Suisse):

Thanks, good morning. Two questions. First, if you can peel back the onion on the 2011 full year cost trend and what you saw for utilization versus unit cost increases for inpatient, outpatient and pharmacy?

David Cordani (President and Chief Executive Officer):

Charles, its David. I'll just give you the macro and ask Ralph to give you the pieces. When you think about the 2011 trend you should think about the vast majority of that 5% is unit cost. As it relates to the components, you'd expect to see the facility side of it be higher than the professional side. Ralph has a few of the pieces to highlight for you.

Ralph Nicoletti (Chief Financial Officer):

We're seeing inpatient in the mid to high single digits, outpatient more mid single digit level and pharmacy in the 3% range. Those are the trends that make up the 5% overall trend for 2011.

Charles Boorady (Credit Suisse):

Okay. And in terms of inpatient, outpatient you have generally the utilization component recognizing the vast majority is unit cost.

David Cordani (President and Chief Executive Officer):

Yes, as I noted before, Charles, think about utilization as essentially de minimis.

Charles Boorady (Credit Suisse):

Okay, for both in and out.

David Cordani (President and Chief Executive Officer):

Correct.

Charles Boorady (Credit Suisse):

Okay, great. And then for cash at the parent in 2012, can you step us through where it sat at the end of 2011 and how much deployable cash you think you have in 2012, including any excess statutory capital post the HS acquisition that you might be able to dividend up to the parent?

Ralph Nicoletti (Chief Financial Officer):

Sure, Charles, it's Ralph. We feel great about our position as we exit the year, with a significant amount of cash on hand. As I mentioned in my remarks, we expect subsidiary dividends at approximately $1.3 billion. Included in our plans would be to continue to fund our pension plan well above the minimum requirements, which is included in other net sources and uses. All in, we would expect to have just a little less than $1 billion of available cash. We'd like to keep about half of that for flexibility held at the parent, which means the other half we would be looking to redeploy.

The other thing I would add to that is that we will be making a meaningful step down in our leverage ratio based on the earnings contribution from the business and, frankly, we have a little bit of flexibility there too. So that gives us some additional capability. All in, our expectation would be a little less than $1 billion at the end of the year and about half of that clearly deployable with some flexibility beyond that.

Carl McDonald (Citi):

Thanks. If I look at your Other and Corporate segments it looks like you lost $85 million in 2011, and you've got that going to a loss of $185 million in 2012. $55 million of that is from the increased interest expense. Is there any other major item to single out there or is that just a cushion that you put into the guidance?

Ralph Nicoletti (Chief Financial Officer):

I think you're looking at it correctly. There is the interest piece in there, and we have no specific area designated for the balance that you point out.

Carl McDonald (Citi):

A follow-up question on the amortization, in response to the earlier question did you say that amortization would be down 10 to 15% per year for the next few years or pretty stable at that 45 cent hit and then say three years out it falls 10 to 15%?

Ralph Nicoletti (Chief Financial Officer):

More sequentially, Carl, so each year for the next few years about 10 to 15% lower.

Carl McDonald (Citi):

Great, thank you very much.

Ralph Nicoletti (Chief Financial Officer):

Carl, just one other item though, remember there's another month in 2013 so we'll be in the lower end of the range next year but then more the higher end of the range sequentially after that.

Carl McDonald (Citi):

Thank you.

Dave Windley (Jeffries & Company):

Hi. I wanted to ask a follow-up to questions about your investments and focusing in on International. What I'm interested in, David, is philosophically do you see the International business at some point being able to grow bottom line faster than top line, and are you making those investments today so that can happen in the future when maybe the revenue growth is not so robust?

David Cordani (President and Chief Executive Officer):

Dave, good morning. First, when you think about that business, think about the two major drivers in that business today are the individual business where we target the emerging and growing middle class and the emerging markets and the globally mobile business. Both of those businesses have inherent tail winds behind them in terms of the secular growth and underlying business strategy for International that we've been consistent around is that it is a growth business and it is a top line growth story.

As we articulated our 10 to 13% EPS growth for the corporation, we did not embed margin expansion that would generate what you said. The exciting part of this business is we see over the strategic horizon the ability to achieve top line growth rates in the high teens and potentially beyond as we've demonstrated over the recent past. We are making investments to make sure we're positioned because product innovation and geographic expansion are key enablers to us.

As the market moves and changes, if you take your hypothesis that we don't see unfolding in the next three or four years, if certain of our markets mature a little bit more, then yes, we have markets in our portfolio where the bottom line grows faster than the top line. But for the portfolio in total, you're going to see more of the top line and bottom line either grow in line or slightly different if we're making growth investments.

Dave Windley (Jeffries & Company):

Okay, and then on Vanbreda, was the lower level of internalization that you're commenting on for 2012 opportunity lost or opportunity delayed?

David Cordani (President and Chief Executive Officer):

Appreciate the question. Broadly speaking it's opportunity delayed. There is a market environment out there for a pretty differentiated value proposition. The purchasing cycles that intergovernmental organizations, or IGOs, have and as you go through those purchasing cycles, as you might imagine, just like other business, the larger entities have longer duration purchasing cycles, the smaller entities have shorter duration purchasing cycles. So we still feel quite good about our capabilities and positioning strategically. We view it as more opportunity delayed as we manage the portfolio in total.

Ralph Nicoletti (Chief Financial Officer):

The other thing I'd add is that we stay disciplined on our pricing and underwriting. We're not just going after revenue but we're trying to strike the right balance. I think the team has put some good discipline in place as we work through this.

Kevin Fischbeck (Bank of America Merrill Lynch):

Thank you. I wanted to ask a couple questions on the HealthSpring contribution and how that compares to the S-4 that was filed with the merger. It looks like if you adjust for the Depreciation and Amortization expense and interest expense according to the S-4, they were looking for something closer to $210 million of earnings versus the $160 to $180 million that you're including in guidance. Additionally, their MCR target was 80.7%. You are assuming something much higher than that so can you talk a little bit about what that delta is?

Ralph Nicoletti (Chief Financial Officer):

Our guidance for 2012 is consistent with the performance and the expectations that we put in the valuation. As we expected, there is significant accretion. There is some trickiness in trying to reconcile the guidance to what is ultimately there, for a few different reasons. One, you have to add back the amortization, the HealthSpring merger proxy had an additional month, and there are some moving pieces within there with integration costs included that you wouldn't have seen in the projection that was in the proxy. When you put those pieces together, we're pretty close to where that is and we're spot on to where we were in our valuation.

David Cordani (President and Chief Executive Officer):

And if I might ask Herb to expand a little bit in terms of how you feel about the quality of the business, stepping out of the fourth quarter and into the first quarter knowing the volume, the sales, the quality and the medical loss ratio, etc. Herb, do you want to expand on that?

Herb Fritch (President, HealthSpring):

We feel pretty good. Everything is pretty much right in line with our growth expectations. Our medical loss ratios have been very consistent and favorable with the positive trends we've seen. I might comment that the one clarification on the loss ratio is really adding in the Phoenix Cigna business that ran at a little higher loss ratio, so it really isn't deterioration in the legacy HealthSpring business.

Kevin Fischbeck (Bank of America Merrill Lynch):

Okay, that's very helpful. One follow-up there on this opportunity you're talking about for revenue growth next year, within combining Cigna and HealthSpring, how quickly can you add new geographies? Are you going to be able to do that in a meaningful way for the 2013 season? Or you know with the deal just closing, integration going on, is it going to be difficult to do that and that's maybe more of a 2014 opportunity?

David Cordani (President and Chief Executive Officer):

Kevin, think about it in a couple steps. Herb's business model has done a nice job of being able to expand to related geographies, so just think about counties expanding off of the existing geographies. We'll push hard on that in collaborating with Herb and his team to drive some acceleration. The work, as you might imagine, is already underway to figure out the additional geographies, and it's an open question in terms of the rate and pace in terms of how fast we'll be able to step into those in 2013, 2014. And the heavy lifting work is being done right now from a sequencing standpoint between the new geographies for MA and the existing geographies to drive the Commercial business into.

Kevin Fischbeck (Bank of America Merrill Lynch):

Okay, great Thanks.

Peter Costa (Wells Fargo Securities):

Hi, good morning. I'd like to get a better understanding of the International margins in terms of things causing pressure on this quarter. You talked about the favorable third quarter reserve studies -- I don't really recall what that was. Perhaps you could refresh me in what it was the favorable reserve studies impact on margins in the third quarter? And then how much of the impact on margins is related to the shorter term things of spending versus some of the cost streamlining.

Ralph Nicoletti (Chief Financial Officer):

Sure, Peter, it's Ralph. There are a couple of pieces when you look at the sequential flow of the International earnings. Think about the impact of reserve studies around the $5 million after tax range as the impact. The other thing that we did point out as an item that happened in the fourth quarter and will recur in 2012 is that the tax rate in Korea did not decline, as it was expected to decline from 24% to 22% based on a ruling from the Korean government. We had to recognize that in full in the fourth quarter this year for the deferred tax liabilities that we had, so there was an outsized impact in the fourth quarter of 2011 which will carry about the same level of impact in 2012.

The other areas are on the staging of the market expansions, particularly in India and Turkey, as well as some costs to streamline operations throughout the International areas, no one area in a significant way.

When you put those all together, those are the drivers of the change. I think when you step back then from it, I don't think you should feel really any different about our margins and how we talked about those being in the higher single digit area over time. Quarter to quarter they're going to bounce around a little bit because of these kinds of things.

Peter Costa (Wells Fargo Securities):

And yet you're projecting sort of a mid single digit number, is that because of the DAC charge so that's separate from what you were talking about before in terms of margins, so your margin is less than the higher single digit?

Ralph Nicoletti (Chief Financial Officer):

Yes, you are right. The DAC piece does have a couple hundred basis point impact on margins. No impact to cash flow, no impact to returns.

Peter Costa (Wells Fargo Securities):

So the real margin is more of a mid single digit number going forward, and then in terms of the competitive pressure that you felt in Vanbreda, did you find that in some of your existing businesses particularly in South Korea?

David Cordani (President and Chief Executive Officer):

It's David. We did not. The Korean business had an outstanding 2011, with new business growth and product innovation. When we talk about Korea, think about that as the individual Health, Life and Accident portfolio. We do service expatriates in Korea, of course, but the bulk of the earnings driver when we talk about Korea is the individual Health, Life and Accident business as opposed to Vanbreda, where you should think about as expatriates largely from intergovernmental organizations (IGOs). We did not see any impact to speak of in Korea.

Peter Costa (Wells Fargo Securities):

Okay, thank you.

Chris Rigg (Susquehanna):

Thanks a lot. Thanks for taking my question. Just one last big picture question. The topic of the day in the investment community is the dual eligible opportunity. Obviously, you guys have brought on substantial Medicare assets with HealthSpring but really don't have much positioning in the Medicaid side. Can you comment on if you actually view the dual eligibles as an opportunity for you and, if so, what you might be able to do over the near term to improve your positioning to benefit from the potential expansion of managed care into that segment?

David Cordani (President and Chief Executive Officer):

Good morning, Chris. It's David. I'll start, and I'll ask Herb to expand based on his experience and insight. From a strategy standpoint we've been very consistent. We view in the U.S. our number one priority in terms of inorganic expansion was in the Medicare space. We took our time, obviously, because we wanted to find an asset we thought had really differentiated capabilities, and we found that with HealthSpring in terms of the clinical capabilities. As we've talked about it in the past, we said off of a Medicare asset that has differentiated clinical and physician engagement capabilities we saw the opportunity on a targeted basis to pursue Medicaid using our Go Deep strategy, so market by market and specifically looking at the ABD or dual population.

We've had that view for several years now. Clearly, there's some change in the marketplace due to budgetary constraints and pressures and seeing that the duals could benefit from a more comprehensively managed portfolio. The good news is, within HealthSpring you have a proven capability to deliver an outstanding clinical quality, service quality and cost outcomes for individuals, especially higher medical costs or higher co-morbidity population. Herb has built an entre into the Medicaid space as an initiation. Herb, if I could ask you to expand on how you think about the dual population?

Herb Fritch (President, HealthSpring):

Well, first, we certainly have dual snips in all of our geographies today; we serve a lot of the duals from the federal perspective in terms of the benefits that they cover. We are looking to expand, as David said, and I think our clinical models work exceptionally well with that population. In March, we'll begin as one of the dual eligible star plus providers in the Rio Grande Valley of Texas, which should give us about 20,000 to 30,000 new lives there, and we're bidding on at least one other state that's opening up the duals now. So we're hopeful that this is a real growth opportunity for us.

Some states are considering going through their current Medicaid contractors, and we're going to see if there's a way to partner or get in with those states too. But there are other states that are bidding them out separately. Where that happens I think we're clearly well positioned to deal with that.

Chris Rigg (Susquehanna):

Okay, thanks.

David Cordani (President and Chief Executive Officer):

Just briefly, I want to thank you for your questions today and your continued interest in Cigna and in closing to emphasize a few points from our discussion.

One, we're pleased with the continued progress we're having in executing our strategy and highlight that our results reflect the dedication and commitment of our 30,000 plus colleagues around the world who work tirelessly to improve the health and well-being and sense of security of our customers.

The milestones that we've reached and the steps we're targeted to take in 2012 and beyond position us for a very strong top line and bottom line growth, specifically in our highly focused U.S. Commercial business, our International business and now our Seniors and Medicare business here in the United States.

We view that our 2012 outlook represents a competitively attractive result and we are positioned for a long-term sustained growth; and finally, I'm confident in our ability to achieve our full year 2012 strategic, financial and operating goals. We thank you for joining today's call and look forward to our future discussions.

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