

**CIGNA CORPORATION**

**FOURTH QUARTER 2012 INVESTOR TELECONFERENCE**  
**THURSDAY, FEBRUARY 7, 2013**

**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 2013 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. health care reform legislation, as well as additional changes in state or federal 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;
2. adverse changes in state, federal and international laws and regulations, including increased medical, administrative, technology or other costs resulting from new legislative and regulatory requirements imposed on the Company’s businesses;
3. 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, including the possibility that the acquired HealthSpring business may be adversely affected by potential changes in risk adjustment data validation audit and payment adjustment methodology;
4. challenges and risks associated with implementing 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;
5. the unique political, legal, operational, regulatory and other challenges associated with expanding our business globally;
6. challenges and risks associated with the successful management of the Company’s outsourcing projects or key vendors;
7. the ability of the Company to execute its growth plans by successfully leveraging capabilities and integrating acquired businesses, including the HealthSpring businesses by, among other things, operating Medicare Advantage plans and HealthSpring’s prescription drug plan, retaining and growing the customer base, realizing revenue, expense and other synergies, renewing contracts on competitive terms or maintaining performance under Medicare contracts, successfully leveraging the information technology platform of the acquired businesses, and retaining key personnel;
8. risks associated with security or interruption of information systems, that could, among other things, cause operational disruption;

9. risks associated with the Company's information technology strategy, including that the failure to make effective investments or execute improvements may impede the Company's ability to deliver services efficiently;
10. the failure to maintain effective prevention, detection and control systems for regulatory compliance and detection of fraud and abuse;
11. 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;
12. liability associated with the Company's operations of onsite clinics and medical facilities, including the health care centers operated by the HealthSpring business;
13. heightened competition, particularly price competition, that could reduce product margins and constrain growth in the Company's businesses, primarily the Global Health Care business;
14. significant stock market declines, that could, among other things, impact the Company's pension plans in future periods as well as the recognition of additional pension obligations;
15. significant changes in market interest rates or sustained deterioration in the commercial real estate markets that could reduce the value of the Company's investment assets;
16. 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 or limit the subsidiaries' ability to dividend capital to the parent company, resulting in changes in statutory reserve or capital requirements or other financial constraints;
17. significant deterioration in global market economic conditions and market volatility, that could have an adverse effect on the Company's investments, liquidity and access to capital markets;
18. unfavorable developments in economic conditions, that could, among other things, have an adverse effect on the impact on the businesses of our customers (including the amount and type of health care services provided to their workforce, loss in workforce and ability to pay their obligations), the businesses of hospitals and other providers (including increased medical costs) or state and federal budgets for programs, such as Medicare or social security, resulting in a negative impact to the Company's revenues or results of operations;
19. risks associated with the Company's reinsurance arrangements for the run-off retirement benefits, life insurance and annuity business, variable annuity death benefits and guaranteed minimum income benefits businesses, including but not limited to, failure by the reinsurer to meet its reinsurance obligations or that the reinsurance does not otherwise provide adequate protection; or
20. 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.

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

**Ted Detrick (Vice President – Investor Relations):**

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

In our remarks today, David will begin by commenting on Cigna's full year 2012 results and how our clear strategic direction positions us well for continued success in 2013 and beyond.

Next, Ralph will review the financial results for 2012 and provide our current perspective on Cigna's financial outlook for 2013. 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.

As noted in our earnings' release, Cigna uses certain financial measures which are not determined in accordance with Generally Accepted Accounting Practices, or GAAP, when describing its financial results. Specifically, we used the term labeled Adjusted Income from Operations, and earnings per share on the same basis, as the principle measures for performance for Cigna and our operating segments.

A reconciliation of these measures to the most directly comparable GAAP measures 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. We would remind you that there are risk factors that could cause actual results to differ materially from our current expectations. And those risk factors are discussed in today's earnings release.

Before I turn the call over to David, I will cover a few items pertaining to our results and disclosures. First, I remind you that we recently announced a change in our segment reporting which became effective with the reporting of our 2012 financial results this morning.

This change in segment reporting was driven by Cigna's recent realignment of our businesses in order to more effectively execute our global strategy and better position us to drive the same business growth by delivering on our mission to the people we serve around the world.

In connection with this realignment, our results will now be aggregated based on the nature of our products and services rather than the geographies in which we operate. We will continue to report our results through three ongoing business segments, but under a different configuration.

The major changes in our segment reporting are to report our Global Health Benefits or Expatriate Business as part of our Global Healthcare segment. And we now report our International Health, Life and Accident business as the newly formed Global Supplemental Benefits segment. Our third business

segment continues to be our Group Disability and Life business, and the remaining reporting segments remain unchanged.

As a result of these segment changes, there is no change to our historically reported amounts for consolidated shareholder's income, consolidated adjusted income from operations, earnings per share, or shareholder's equity.

To facilitate the investment community's understanding of these segment reporting changes, we have included exhibits showing restated prior period amounts and fourth quarter 2012 results on the former segment basis in our quarterly financial supplement which can be found on Cigna.com.

Moving to results for the quarter, I note that in the fourth quarter we recorded an after-tax charge of \$68 million or \$0.24 per share for litigation related matters which we reported as a special item. I would remind you that special items are excluded from adjusted income from operations in today's discussion of our 2012 results and full year 2013 outlook.

Relative to our Run-off Operations, earlier this week we announced that we exited this business effective February 4, 2013. However prior to the effective date of this transaction, we are required to continue to report the results of this business.

Our fourth quarter shareholder's net income included an after-tax, non-cash gain of \$7 million or \$0.02 per share related to the Guaranteed Minimum Income Benefits business otherwise known as GMIB. As a reminder, the results of our GMIB business are excluded from adjusted income from operations, and therefore also excluded in today's discussion of 2012 results and our full-year 2013 outlook.

Also please note that when we discuss our full year 2013 outlook, it will be on the basis of adjusted income from operations which excludes realized gains and losses on investment results and special items. It also excludes the effects of future capital deployment, and it will be on our new basis of segment reporting.

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

**David Cordani (President and Chief Executive Officer):**

Thanks Ted and good morning everyone.

Before Ralph reviews our results and outlook and give more detail, I'll briefly touch on our 2012 results. Then, I'll discuss Cigna's perspective on the opportunities we see in the dynamic global environment we operate in. I'll also provide an update on how our clear focused strategy continues to create differentiated value for clients and customers, and by extension, our shareholders. And finally, I'll provide some brief comments on our expectations for 2013 and beyond.

2012 was another strong year for Cigna. We exceeded our growth and earnings expectations, driven primarily by the strength of our Global Health Care businesses. This marks our third consecutive year of effective execution of our "Go Deep, Go Global, Go Individual" strategy which is providing differentiated value for our clients and customers, and delivering strong returns for our shareholders.

Our 2012 consolidated revenue increased by 33% to \$29.1 billion. We reported adjusted income from operations of \$1.73 billion or \$5.99 per share which reflects a 21% increase from 2011.

At the same time we saw a healthy increase in our global medical customer growth which grew by approximately 1.4 million people or 11% to a total of more than 14 million customers worldwide.

These financial and operating results reflect strong organic revenue and earnings contributions from each of our ongoing businesses, as evidenced by: our high customer retention rates, continued expansion of those relationships, and success with new relationships whether they are with individuals, employers or governments.

We also added to our capabilities and strengthened our market position through strategic acquisitions, most notably HealthSpring. We are pleased with the integration of the HealthSpring business to date and its contributions in 2012. We're also on track as we continue to expand into new markets that position this business for future success.

Our HealthSpring acquisition is a clear example of how we are effectively managing capital to invest in our business to create sustainable customer and shareholder value.

Additionally, the strength of our 2012 results positions us with a strong balance sheet and free cash flow outlook for 2013 to further enhance shareholder value.

Our capital deployment strategy remains focused around several core tenets: supporting our ongoing businesses with the necessary capital and free cash flow to operate, pursuing mergers, acquisition and partnerships to further accelerate growth and create strategic competitive differentiation, and finally returning capital to our shareholders.

So to recap 2012, we are very pleased with our results. Over the past three years we've successfully executed our strategy, and this focus and discipline have enabled Cigna to deliver strong and sustained results for our customers and for our shareholders.

As we look forward, and assess the transforming economic and regulatory environment, we see good opportunities for continued innovation and growth. Demographic shifts and economic pressures are creating a search for solutions, especially in the healthcare sector where the need to control medical costs and provide affordable care is prompting a number of legislative and regulatory activities, including in the U.S. where healthcare reform is well underway.

Within this environment of change, Cigna global capabilities coupled with our focused strategy and track record for delivering high-quality results are enabling us to thrive. Specifically, Cigna has the scale and experience to deliver effective solutions in developed, developing and emerging markets as we leverage our three critical differentiators.

The first is putting our customer at the center of everything we do, aided by deep analytical insights that allow us to better understand their needs.

Second, we leverage that understanding to more effectively identify the right solutions for the right customer at the right time. And this is where our consultative selling capability really shines.

And our third differentiator is our best-in-class physician engagement and partnership programs which improve quality and overall affordability.

As we leverage these capabilities at Cigna, we see three indisputable global trends that are creating exciting growth opportunities for us.

First, shifting demographics such as a growing global middle-class and an aging population around the world.

Second, a growing segment of globally mobile individuals and employers.

And third, a changing benefits marketplace that is focused on value-based solutions that put the individual customer at the forefront of more healthcare decisions.

I'll briefly touch on each of these.

Around the world we're seeing shifting demographics such as a growing middle-class and aging population, all of whom are seeking value-added health and benefit services. Cigna is pursuing these opportunities by continuing to go deep in our existing markets and selectively expanding our operations. We're also growing in our deep understanding of these customers by leveraging our physician partnerships as well as anticipating and adapting to our customers' evolving healthcare needs.

Relative to the growing global middle-class, we have a strong track record in countries such as Korea where we recently celebrated our 25th year of operation. In China, where we now have one million policies in force, our success is grounded in our ability to address the needs of the emerging middle class, leveraging the strength of our venture partnership with China Merchants Bank.

Relative to strategic expansion, we recently entered Turkey and India, where we believe the individual and group markets, when coupled with our distribution capabilities, will deliver attractive growth as we position for the future.

As for the aging demographic in the U.S., HealthSpring's proven track record of differentiated results is leading customer solutions and collaborative physician relationships come together to help the seniors we serve improve their health, lower the costs and live more productive lives.

The second trend we're seeing is a growing number of mobile individuals who require sophisticated adaptable solutions. The breadth and depth of Cigna's networks, service capability and locally deployed teams allow us to more effectively address and capitalize on the market opportunities presented by these customers.

This is one of the areas where our consultative selling capability plays a critical role. Our ability to meet the evolving needs of our customers and provide optimal solutions in geographies around the world uniquely positions Cigna to grow relationships in the borderless global economy we operate in.

Regarding the third trend, we see a changing benefits marketplace. Our deep analytical insights allows us to quickly adapt to a marketplace that is becoming increasingly retail verses wholesale oriented underscoring the value of Cigna's emphasis on becoming a customer-focused company.

This is illustrated, in part, by our expanding portfolio capabilities which inform, assist, and engage Cigna's customers to make better buying and lifestyle choices. We inform our customers through tools such as MyCigna.com which allows Cigna customers to assess medical quality and cost alternatives, then review available health spending account funds before choosing their physician.

We've also created services that assist our customers including My Personal Champion which helps customers with multiple chronic illnesses or acute challenges to navigate the fragmented U.S. healthcare system they face.

Other tools we've developed are helping customers improve their health through wellness-related activities and actionable information. These tools are creating the needed transparency to help Cigna customers improve health outcome and better manage their overall costs.

Lastly, we seek to engage customers with their physician through our best-in-class physician partnerships. In the U.S., we're continuing to strengthen our physician partnerships through our more than 50 collaborative accountable care initiatives that today span 22 states which, when combined with the HealthSpring senior solutions, are already serving nearly one million customers.

We continue to view our collaborative accountable care relationships as the leading approach to improve health outcomes, improve affordability, and deliver differentiated value for our customers, all while expanding the rewards for top performing physicians and integrated healthcare systems.

Our differentiated capabilities, leveraged against these established market trends, create tremendous growth opportunity for Cigna as we look to the future.

So now to summarize before turning it over to Ralph, we had a strong year in 2012 that exceeded our expectations, marking our third consecutive year of profitable growth through effective strategic execution and sustained investment for the future.

Over the last three years, we delivered 17% compound revenue growth and 15% compound EPS growth. We continue to have a strong balance sheet and financial flexibility which was further enhanced this week by our agreement with Berkshire Hathaway to effectively exit our VADBe and GMIB businesses.

This track record gives us confidence in our long-term outlook which is an EPS growth rate of 10-13% on average over the next three to five years. And based on the record of success and the momentum we carry from 2012, we are confident about achieving our outlook for 2013.

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

**Ralph Nicoletti (Chief Financial Officer):**

Thanks David. Good morning everyone. Today I will review Cigna's 2012 and our current outlook for 2013.

We had a very strong 2012 continuing to build on our excellent track record.

I'd like to highlight several key accomplishments, specifically: another year for strong top-line and customer growth, successful integration and strong performance of the companies we acquired in 2012, most notably HealthSpring, and earnings per share of \$5.99 representing 21% growth.

Our fourth quarter results punctuated our consistent execution of the fundamentals which drove strong revenue and earnings growth while we continued to make significant strategic investments in capabilities in each of our businesses.

The strength of our 2012 performance provides us with solid momentum going into this year and confidence in our 2013 outlook. Our full year consolidated revenues grew 33% to \$29.1 billion driven by continued contributions from the HealthSpring acquisition and growth in our globally targeted markets.

2012 earnings were \$1.7 billion which represented growth of 27% over 2011.

Regarding the segments, I'll first comment on our Global Health Care segment. Overall, Global Health Care results for 2012 were strong across both our commercial and seniors businesses. 2012 premiums and fees for Global Health Care grew 45% to \$21 billion reflecting strong contributions from the HealthSpring acquisition and organic growth.

Excluding the effect of HealthSpring, premiums and fees grew 8%.

Full-year earnings were approximately \$1.5 billion, representing growth of 34% and driven by several factors; strong contributions from HealthSpring, revenue growth in particular due to strong ASO customer growth and specialty penetration, favorable medical and pharmacy costs, continued underwriting and pricing discipline, and operating expense efficiencies.



We ended 2012 with 14 million global medical customers representing growth of 1.4 million customers, of which one million represents organic growth.

Turning now to medical costs, we're pleased that the results we delivered for both our Commercial and Seniors books of business. These results demonstrate our consistent track record of improving health outcomes for the benefit of our customers driven by our effective engagement with physicians and a focus on delivering value-based solutions for our clients and customers.

On the Commercial side, we continue to deliver differentiated value relative to medical outcomes for our clients and customers. Our medical trends are among the lowest in the industry and because nearly 85% of our U.S. commercial customers are in ASO funding arrangements, they directly benefit from these favorable medical costs.

For our total U.S. Commercial book of business, three-year medical cost trend was slightly less than 5.5% for 2012.

Regarding medical care ratios, in our U.S. Commercial Guaranteed Cost business, our full-year 2012 medical care ratio or MCR was 80.2% on a reported basis. Excluding prior year claim development, the U.S. Commercial Guaranteed Cost MCR for 2012 was 81.3%.

In our Seniors business, our full-year 2012 MCR for Medicare Advantage was 80.9% on a reported basis. Excluding prior year claim development, the Medicare Advantage MCR for 2012 was 81.5%

Moving to operating expenses, for 2012, the total Global Health Care operating expense ratio is 22.6%, which is a 390 basis point improvement over the 2011 expense ratio, primarily driven by: the effect of the change in business mix associated with the HealthSpring acquisition, benefits from our cost savings initiatives, and offset somewhat by our continued strategic spending to support our near- and long-term business growth and service capabilities.

Overall, we had a very strong year in our Global Health Care business.

Now I will discuss the results of our Global Supplemental Benefits business, which continues to deliver attractive growth and profitability. Premiums and fees grew for 2012 grew 30% over 2011 driven by strong customer retention and growth as well as contributions from our recent acquisitions, most notably Great American Supplemental Benefits.

Full-year earnings in our Global Supplemental Benefits business were \$148 million, representing a 48% increase over 2011 and reflecting business growth, particularly in Korea, improvements in operating expense efficiencies, and favorable claims experience, while continuing to invest in product distribution and geographic expansion.

For Group Disability and Life, full-year results were solid considering the challenging economic environment. Group premiums and fees for 2012 increased 9% over 2011. Full-year earnings in our Group business were \$281 million, which was down 3% from 2011 due to unfavorable claims experience in the Disability business, partially offset by favorable Life claims experience.

Results for our remaining operations including Run-off Reinsurance, Other Operations and Corporate, total to an after-tax loss of \$175 million for the full-year 2012.

Overall, as a result of the continued effective execution of our strategy, our 2012 results reflect strong revenue and earnings contributions from our ongoing businesses as well as generation of significant free cash flow.

Now I'll discuss our outlook for 2013.

We are well positioned to continue to deliver differentiated value for our customers, and as a result, strong financial performance for our shareholders, based on: leveraging our global capabilities, optimizing our diversified portfolio of businesses with multiple sources of growth, and continued effective capital deployment.

We continue to expect consolidated revenues to grow in the range of 8 to 12% over 2012.

We have increased our outlook for full-year 2013 consolidated adjusted income from operations to be in the range from \$1.7 billion to \$1.83 billion, or \$5.85 to \$6.30 per share.

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

I will now discuss the components of our 2013 outlook starting with Global Health Care. We expect a full-year of Global Health Care earnings in the range of \$1.43 billion to \$1.52 billion compared to 2012 results of \$1.41 billion, excluding prior year claim development.

I will now summarize some of the key assumptions reflected in our Global Health Care earnings outlook for 2013 starting with the customer base.

Regarding global medical customers, we continue to expect 2013 customer growth of approximately 1 to 2%. For our outlook on medical costs, for our total U.S. Commercial book of business, we continue to expect full-year medical cost trend to be in the range of 6 to 7%, which reflects the expectation for an increase in medical services utilization during 2013.

There are a variety of moving parts within our medical care ratios in 2013 resulting from changes we are making to our business, as well as changes in underlying business mix.

From a pricing standpoint, we continue to price to underlying medical costs. Importantly, commercial risk margins are expected to be essentially consistent year-over-year, after excluding prior year claim development.

Based on changes to our operations and business mix, we expect the 2013 medical care ratio to be in the range of 83.5% to 84.5% for our U.S. Commercial Guaranteed Cost book of business.

For our Seniors business, our Medicare Advantage MCR for 2013 is expected to be in the range of 82% to 83%. This range is slightly higher than our 2012 results excluding prior year claim development, reflecting steps we have taken to better position ourselves in selected markets regarding the pending MCR floors in 2014.

Regarding operating expenses, for 2013, we expect to continue to improve our Global Health Care operating expense ratio by at least 50 basis points over 2012.

We would expect a similar pattern of earnings in 2013 as we saw in 2012 for the Global Health Care segment, in which earnings are greater in the second half of the year due to the seasonal nature of our business.

Now moving to the other components of our outlook.

For our Global Supplemental Benefits business, we expect continued strong top-line growth and expect earnings in the range of \$160 million to \$180 million.

Regarding the Group Disability and Life business, we expect full year 2013 earnings in the range of \$270 million to \$290 million.

And regarding our remaining operations, that is, Other Operations and Corporate, we expect a loss of \$160 million for 2013.

So all in for full year 2013 we have increased our outlook for consolidated income from operations to a range of \$1.7 billion to \$1.83 billion, or \$5.85 to \$6.30 per share. This represents an attractive outlook coming off a strong 2012.

Now moving to our 2013 capital management position and outlook.

Overall, we continue to have good financial flexibility. Our subsidiaries are well-capitalized and are generating significant free cash flow to the parent with strong return on capital in each of our ongoing businesses.

We ended the year with parent company cash of approximately \$700 million. And after maintaining our parent company cash target of \$400 million to \$500 million and considering other sources and uses of capital we continue to expect to have approximately \$1.3 billion to \$1.4 billion available for deployment.

This outlook fully reflects the \$100 million parent company cash outflow for the transaction to exit our VADB and GMIB businesses.

Overall our capital position and updated outlook remains strong and our capital deployment strategy and priorities remain unchanged.

Now to recap, our full year 2012 results reflect the strength of our differentiated portfolio of global businesses, and the continued track record of effective execution of our focused strategy with strong growth in our targeted markets and customer segments.

We expect the momentum from our strong 2012 performance will position us well for 2013 highlighted by: attractive growth in revenue, customers, and earnings as well as EPS growth with the opportunity for excess cash deployment, the exit of our VADB and in GMIB businesses, which has effectively eliminated earnings volatility associated with these businesses, all while continuing to target strategic investments which will enable sustained growth into the future.

Based on the strength of these results we are confident in our ability to achieve our full year 2013 outlook.

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

**Matthew Borsch (Goldman Sachs):**

Good morning thank you. I realize it's not the biggest item for you, but as we are moving towards the deadline for budget sequestration have you reflected that in your guidance?

On your Medicare Advantage revenue, which is a little over \$5 billion annualized that the sequester would be about \$100 million. If you pass through 75% of that it would be about 15 million after-tax or about 5 cents EPS. Is that all correct and you have that in your guidance?

**David Cordani (President and Chief Executive Officer):**

Matthew, first you have to frame the Medicare book of business where you started when you think about our seniors portfolio.

And we'd remind you that the HealthSpring model is based on a model that has a reimbursement structure with the vast majority of the physicians that are actually tightly correlated to Medicare reimbursement.

So the alignment there is very tight. That enables us to be able to flex the models and go forward with any movement in Medicare reimbursement.

Second, we have a range with any of our outlooks and guidance. You should assume the range of our outlook and guidance contemplates any reasonable movement from a sequestration standpoint in 2013.

**Matthew Borsch (Goldman Sachs):**

Fair enough. Okay, thank you. On a different topic, can you comment on what you're seeing in the ASO and risk side of the pricing environment and, to the extent you see any behavioral change in the industry worth noting as compared to 12 or 18 months ago?

**David Cordani (President and Chief Executive Officer):**

At a macro level I would say no change in overall market condition patterns. To elaborate on that a bit as we've talked in the past our view is that the marketplace is an appropriately competitive marketplace and we see no major change in pattern.

I would underscore we continue to see a high demand from employer clients for the more transparent products -- health, wellness, and incentive-based programs and products - that bodes well for us.

But from the overall macro environment, be it ASO or risk, no major change in posture or pattern in the marketplace.

**Matthew Borsch (Goldman Sachs):**

Thank you.

**Josh Raskin (Barclays):**

Good morning. Sticking with Medicare Advantage, I was wondering if you could give us an update on how your January open enrollment membership came out in Medicare Advantage?

And then, could you give us your expectations around the 45 day notice and anything we should be thinking about there?

**David Cordani (President and Chief Executive Officer):**

First, as you frame MA and the MA outlook as you know from an MA standpoint, the legacy HealthSpring model is predominantly focused on or solely focused on the individual MA portfolio of businesses.

We're pleased with the early enrollment data and early success we've had. And we would expect to see, in the early part of the year enrollment in the 5% to 6% range and over the course of the year an overall enrollment growth pattern of approximately 10%. We're pleased with that both in terms of the overall number as well as the geographic pattern.

To the second part of your question, relative to the 45 day notice, there is nothing that we would expect based on our knowledge of that on a retrospective basis that is disturbing or bothersome to our expectations for 2013. We expect to lay out a set of expectations and assumptions for the 2014 bidding process which will be upon us in the near term.

To recap, we have good movement in overall membership outlook enrollment for 2013 both in terms of aggregate as well as geographic concentration.

And early insights relative to the 45 day notice, we see no surprises for 2013 or early indications for 2014.

**Josh Raskin (Barclays):**

On the 45 day notice, could you give us an expectation in terms of a range of what you think the rate will look like, all in for 2014?

**David Cordani (President and Chief Executive Officer):**

Josh, I appreciate the question but I don't think it's helpful to speculate on that.

As you know and as the market knows we have had an inordinate amount of moving parts as a country relative to these overall programs. And I don't think it's healthy to speculate at this point in time.

Stepping back from a Cigna standpoint, as I mentioned to Matthew's prior question, the core of the HealthSpring model is a tightly aligned reimbursement structure and then a shared value creation model with the physician community for the benefit of individuals. We continue to believe that under any movement in the marketplace based on changes in regulation reimbursement, we will be very well positioned to compete on a relative basis in our chosen markets.

**Josh Raskin (Barclays):**

Right and I think that's one of the main reasons HealthSpring's growth rate is higher in more competitive times in MA.

Regarding the minimum MLRs it sounded like you were looking to reposition the book in front of the minimum MLRs for 2014.

Are you using a commercial like definition? And what exactly did that reposition mean? Did that mean more generous benefits or how did you do that?

**David Cordani (President and Chief Executive Officer):**

We've made some assumptions and estimates as I would believe others are doing and using the directional guidance of the conclusions that were made for the commercial market.

Taking that as a backdrop we have a very strong performing book of business. We've taken steps as Ralph noted in his prepared comments in a market by market basis to step forward in 2013 to prepare for the implementation of those loss ratio thresholds in 2014.

And while we're not going to go through it market by market or our specific benefit strategies, you should think in general that our approach has been to further enrich benefits for the benefit of our customers in those markets in 2013. We think it is going to bode well for us in 2013 and beyond.

**Kevin Fischbeck (Bank of America Merrill Lynch):**

I want to review the guidance because I think you changed the presentation a little bit.

Can you talk about the moving parts within the International Healthcare business from when you provided guidance at your Investor Day to when you provided it now? It looks like the combined earnings there are little bit lower than most of the guidance ranges offset by increases in Disability and Corporate.

Am I reading that right? And if so, what was the delta?

**Ralph Nicoletti (Chief Financial Officer):**

On the guidance, we feel very good about the growth that we're showing in the range we provided.

And I'd want to reinforce from the remarks David and I both made about our confidence in delivering in 2013.

Relative to where we were on Investor Day, the way you should look at this is first, across all the businesses the fundamentals and the momentum that we're carrying out of 2012 into 2013 remains unchanged.

When you look at the reporting side, first let me focus particularly on International which is where we had the biggest change.

Effectively we had two high-performing businesses within our previous International segment, the Global HL&A business which you now see separated in our segment reporting and then our Global Health Benefits business primarily focused on expatriates and is now part of our Global Health Care business.

Both of those businesses are growing very nicely as you can see in our outlook for the Global Supplemental Benefits business, we are projecting strong double digit top-line growth and bottom line growth in the 8% to 22% range for that supplemental business.

The solid growth of the Global Health Benefits business that's part of Global Health Care also is contributing to overall growth - it just gets muted a little bit now because it's a smaller piece of that larger segment.

I think the key take away should be the fundamentals on both of those businesses remain very strong as we now report them separately within the two segments.

**Kevin Fischbeck (Bank of America – Merrill Lynch):**

Okay so you don't see this guidance providing any some significant change versus what you outlined a few months ago?

**Ralph Nicoletti (Chief Financial Officer):**

No.

**Kevin Fischbeck (Bank of America – Merrill Lynch):**

Okay. Then a second question is on the cost trend outlook. I think last quarter you had talked about cost trend being around 6% and actually highlighted that maybe some costs were starting to rise. And now you're saying you ended the year at 5-1/2%.

That seems like a pretty big drop in trend. Can you talk a little bit about what you're seeing or how you ended the year?

Was it a decelerating cost trend as you exited the year and what was the progression?

**Ralph Nicoletti (Chief Financial Officer):**

Kevin, a couple questions in there. Let me talk about the overall year first and then come back to the trend sequentially as you asked.

First, overall, we came in well in line with our expectations and feel good about the overall medical cost trend and the medical care ratio on the year that we reported.

So as we entered the fourth quarter of the year we did see it come in at the lower end of the range essentially on the full year, in line with our expectations. Sequentially what we saw was some increase primarily due to the seasonal nature of the business where we have high deductible plans.

Then secondly we did have some impact on the fourth quarter for elevated level of flu related costs this season which we reserved for in the quarter.

So we feel good about the overall trend. The sequential trend was in line with our expectations and was effectively accounted for some of the uptick in utilization particularly as it relates to the flu.

**Kevin Fischbeck (Bank of America – Merrill Lynch):**

Okay thanks.

**Christine Arnold (Cowen):**

Hi there. A question on the commercial MLR guidance it looks like you're guiding for better than a 200 basis point increase. Yet the trend in 2012 came in lower than you'd expected. Can you talk about the factors that bring you to the conclusion that the MLR would rise that much?

**Ralph Nicoletti (Chief Financial Officer):**

Sure Christine, it's Ralph. A couple things I want to highlight.

First as I noted in my remarks, we continue to price to our underlying expected medical costs. And as a result, commercial risk margins are expected to be essentially consistent with 2012.

I also noted in my remarks there were some moving parts in here that I think have to be considered.

One there is the absence of favorable prior year development because we don't include prior year development in any of the outlooks.

Also I alluded to some shifts in business mix as well as some change in some of our business practices all with which, while they don't affect our risk margins per se, do have an impact on the reported MCR going into 2013 versus 2012.

**Christine Arnold (Cowen):**

So the 81.3% excludes PYD. You're still looking for over 200 basis points. Could you help me understand what the changes in business practices might be that would result in such an increase?

**David Cordani (President and Chief Executive Officer):**

Christine, it's David. First to reiterate and then to answer your more specific business practice question, the most important message is that the underlying margins year over year 2013 relative to 2012 are expected to be essentially equal.

So now we're dealing with a reconciliation of the way we're going to be reporting and talking about MCR in 2013 versus 2012.

Specific to your question around our business practices, think about a meaningful direction in change in terms of how we would be handling go to market costs around broker and intermediary commissions as a moving part in the way the calculation takes place but a zero impact for the underlying margin.

That's why the headline here is the underlying margins as we've demonstrated over the past couple of years consistent, strong and disciplined execution.

There are moving parts as we change the way we go to market. In this case the biggest moving part here is commissions and related selling expenses dealing with intermediaries.

**Christine Arnold (Cowen):**

Got it. So you're excluding those from premium revenues and sticking them in SG&A?

**David Cordani (President and Chief Executive Officer):**

Yes again a change in how we're handling that on a go forward basis. But the conclusion hopefully you're drawing here is that there is no fundamental underlying change in the quality of the business, the quality of the underwriting, the quality of the earnings, and therefore the margins.

**Christine Arnold (Cowen):**

Yes - that's helpful. And then a follow-up - you have very little in the way of small group business, only about 20,000 -- so you don't have to worry about employer dumping in that segment.

Can we think about some of the other parts of your business that may be affected by reform, for example voluntary limited benefits - where do you see that going? I think it's about \$280 million in revenue.

And also the retail / hospitality / restaurant segments - is there anything lingering we should be thinking about with some of these other businesses as we look forward to 2014?

**David Cordani (President and Chief Executive Officer):**

Broadly, to reinforce your conclusion we don't have an under 50 life block of business that's going to be disrupted. We have a de minimis individual block of business in that market segment.

As you look forward, you have identified for example a small piece in the grand scheme of things, so several hundred million dollars of revenue and residual contribution that goes from that.

You should expect us to continue to innovate off the base of those capabilities so we're able to offer and be responsive to employers who are looking for additional solutions.

I'd say at a macro level given the size of the franchise we're operating, you should view that as something we should be able to manage in the day to day operations of the corporation and you should view that the disruption as we step into 2014 is manageable, fully contemplated in the range of the outlook we gave you both in terms of revenue growth and earnings growth which I would note is another year of positive underlying earnings growth for the company.



**Christine Arnold (Cowen):**

Okay any other areas I should be worried about in 2014 other than this voluntary?

**David Cordani (President and Chief Executive Officer):**

There is a lot of change in 2014, but as we've talked about, the change and disruption in the marketplace we see as creating more opportunity than disruption for us, so no I don't think you should be.

**Christine Arnold (Cowen):**

Thank you.

**Scott Fidel (Deutsche Bank):**

Thanks. First I want to just ask about some of the success you're seeing in sales in the select market from conversions of fully insured business to ASO.

Is there a way that you can estimate if you look at the 21% membership growth that you had in the Select segment 2012 which was around 150,000 lives what percentage of that was ASO sales from competitors products that were previously fully insured?

**David Cordani (President and Chief Executive Officer):**

Relative to the Select segment, which again for grounding think about employers with 51 to 250 employees. Very importantly we're a bit agnostic in terms of our go to market approach in terms of the funding solution an employer takes. And that's a strength for us.

We're able to sit with an employer through consultative selling and offer them a variety of means of financing their benefits whether it be an ASO program, a shared return program, or a risk program. And that's a fundamental underlying strength of ours and we built a business model that we could thrive under either scenario of a risk scenario or an ASO scenario.

Specific to your question on ASO you should think about directionally, a little bit in excess of half our new business sales being in that category. What that reinforces for you is there's still a thriving risk block of business. But a bit greater than 50% of our sales is in the ASO space.

We see that as a preferred mechanism to align the transparency between ourselves and a client as well as between the client and their employee: around the incentives, the way in which money is spent, and the way in which clinical quality and care is improved on a go forward basis.

To recap, about 50% of sales from an ASO standpoint, but we see a thriving both risk business as well as ASO business as we look to the future.

**Scott Fidel (Deutsche Bank):**

Okay. Can you give us an update on the PBM? You had talked about the first half of the year as when you are thinking about giving us an update on strategic view there. Any update on timing?

Relative to the business itself it looks like you had around 8% in sequential revenue growth in mail order pharmacy. And I think that was up around 12% or so for the full year so clearly there is good organic growth there. How much of that is being driven off of, this growth that you're seeing in the Select to Middle Markets and again from being able to sell, in ASO plus other specialty offerings from new sales?

**David Cordani (President and Chief Executive Officer):**

First to the second part of your question going back, the PBM continues to be a well-run and highly performing asset for us. It continues to be a very important part of our health improvement and health engagement strategy.

We've been able to prove that we can grow it. We were able to grow it in terms of both the segments and the type of employers who are focused on a more integrated solution makes sense. We can demonstrate that by looking at the total value of what were able to provide for them, a superior versus other alternatives.

We like the underlying performance of the asset. And to your point we've been able to demonstrate a positive growth trajectory off of it.

As it relates to the first part of your question we've decided to step back, given the acquisition of HealthSpring and the significantly increased scale opportunity that it presents to make sure we understand all opportunities for running this asset on a go forward basis. We have been very consistent to say that the right timeframe to make a decision for that is in the first half of the year so we're in position for the ensuing year's selling cycle. I would say broadly speaking we're on track for that.

**Scott Fidel (President and Chief Executive Officer):**

Okay thank you.

**Carl McDonald (Citi):**

Great thanks. So I wanted to go back to the benefit design changes on Medicare and minimum loss ratio and get your view on whether the revised guidance for 2013 essentially gets you all the way to minimum loss ratios assuming that your definition is roughly accurate or should we think of that as a step up function? Will you step up the loss ratio in 2013 and then you may have to step it up a little bit more in 2014?

**David Cordani (President and Chief Executive Officer):**

To be very specific to your question when you ask a question in terms of "all the way". I wouldn't want you to conclude that we're telling you that we have the perfection of execution and that every aspect of the business is perfectly positioned for 2014.

Stepping back from that, we took a decisive step to position market by market. In aggregate you should think about that loss ratio as being a responsive loss ratio to be compliant in 2014.

And then pragmatically you should think we will probably have some tweaks in 2014 market by market based upon the underlying performance of those markets in 2013 as we think about a bidding cycle.

So a significant step forward -- in aggregate the book of business is appropriately positioned but given the mix of the business and the underlying performance in 2013 you should expect us to continue to make tweaks as we go into 2014.

**Carl McDonald (Citi):**

Great, okay, so to basically summarize -- you're saying decisive action this year, tweaks in 2014 so I take from that that you expect the magnitude of the change in 2014 to be substantially different than this year?

**David Cordani (President and Chief Executive Officer):**

In aggregate for the portfolio that's correct.

**Carl McDonald (Citi):**

Great. Thank you.

**Dave Windley (Jefferies & Company):**

Hi. Thanks for taking the questions. Slightly different tweak on some prior questions -- when thinking about your ASO business and related selling strategies, are you seeing a market increase in employer interest in self-funded arrangements in light of the premium taxes and other costs that they will bear in a fully insured environment headed into 2014? Is that an accelerating opportunity now?

**David Cordani (President and Chief Executive Officer):**

I would say yes and no. Are we seeing an increase in demand and interest in terms of self-funded and the fully transparent programs and services? Yes.

But, no, I would not say we've seen a correlation to employer's interest in it tied around changes in premium tax and the like. The primary driver we see is that employers see transparency as an opportunity to align the incentives, to understand how their significant investment is performing, to be in a position to make changes throughout the course of the year, and to be in a position to communicate more effectively with their employees and align incentives.

And that's really where we think the power is. So yes from a demand and trajectory standpoint, no as a corollary to the premium tax movement.

**Dave Windley (Jefferies & Company):**

Okay, thank you. My follow up is regarding progress on a couple of commercial fronts. One, you've talked about your collaborative accountable care efforts and intent to hit about 100 by 2014. I wondered if you would be willing to size the membership that you think that you would have in them?

And then, you've launched some commercial product into what were formerly HealthSpring markets. I'd be curious about your early returns on commercial membership in those markets from narrow network efforts there.

**David Cordani (President and Chief Executive Officer):**

Several different questions - let me see if I could package an answer around it. You ended with the term narrow network so I just want to pick up from that because philosophically we don't think about our go to market strategy as narrow networks.

We think about a body of evidence around the highest performing, highest value networks and we believe there's a significant opportunity to position those for the benefit of clients and customers -- just a philosophical orientation.

To your very specific question, first, as I noted in my prepared comments, we're approaching a million customers that are already in either the Collaborative Accountable Care relationships or the more sophisticated HealthSpring model, and we feel great about that.

Second, I appreciate your recollection, our strategic objective is to have 100 collaboratives up and running in 2014 and we're well on our way to that goal.

The way I'd ask you to think about your question in terms of lives and targets. Our more macro objective is that we expect to have approximately 80% of all of our U.S. customers in a performance based reimbursement model and we step out of 2014 and into 2015. Collaboratives will be a piece of that but using performance based reimbursement because philosophically we believe that rewarding physicians and integrated healthcare systems based upon quality and value of outcome versus volume is the way of the future.

And there's a variety of ways to get those performance oriented systems to be operating. And that's the key to us for our organization on a go forward basis.

Lastly, specifically to your HealthSpring question. You are correct. We've stood up some commercial alternatives off of their very successful MA structure. And I would say early indications are positive but it's early in the trajectory.

We have some large cases that have carved into those delivery systems and are seeing early traction already. So early indications are positive but it's just early in the cycle.

**Dave Windley (Jefferies & Company):**

Thank you very much.

**Justin Lake (J.P. Morgan Chase):**

Thanks. Good morning. First question, I just want to follow up on Medicare Advantage. The industry has appeared cautiously optimistic on the ability to grow Medicare Advantage membership and earnings in 2014 despite the headwinds that we know on rates and taxes and MCR floors. I'm curious of your early view here.

**David Cordani (President and Chief Executive Officer):**

Justin it's David. What I'd like to do is address 2014 at a bit more of a macro level more than at an individual line of business and feel free with follow up questions to keep pushing. While we're not giving you 2014 guidance, we appreciate the desire to understand the underlying economics of 2014.

We've been able to demonstrate meaningful both operating earnings growth and EPS growth. As we sit here today, to be very clear we would expect to grow both underlying earnings and EPS in 2014 for the franchise.

And I think that's the most important headline as you think about the underlying earnings power of Cigna stepping into 2014.

**Justin Lake (J.P. Morgan Chase):**

That's good to hear. Let me ask a follow up question on the ASO stop loss side. Can you walk us through how small a membership base you will offer ASO and stop loss coverage to?

And then in terms of margins, I can't remember the last time there was really volatility here. So can you remind us what factors or what kind of change in costs it would take or other factors that would drive volatility in the stop loss business and economics?

**David Cordani (President and Chief Executive Officer):**

First, think about the ASO stop loss proposition. Historically this has been a proposition that has thrived in what is known commonly in our industry as the bread and butter middle market.

Systematically, think about it as having come down market through 500 life employers, 400 life employers, 300 life employers. Specific to Cigna and your question, think about the bulk of our success down market as being in that 100 to 250 life employer space but the ability to go below that.

We have not provided a medical trend sensitivity that says, with the following medical trend sensitivity this is what you should expect from a stop loss standpoint. I think it would be an inappropriate indicator. There's a variety of different, products, programs and services that make up a broad pool of stop loss.

As we've been able to demonstrate, we've been able to run that portfolio of businesses very successfully and deliver on or exceed our medical trend outlook as a franchise each of the last three years.

So I would suggest to you that I can't answer that specific question the way you asked it but broadly speaking know that that is a very well-run block of business that a modest movement in medical cost trends, say 100 to 150 basis points in a given year, would not have a shock impact on that book of business the way it operates.

**Justin Lake (J.P. Morgan Chase):**

When was the last time you remember where stop loss was real issue? When was it and what caused it?

**David Cordani (President and Chief Executive Officer):**

Justin, I have a good memory but time is a blur. If I think back over the last three to four years we have not talked about the stop loss business other than as a very strong growth in earnings driver for the corporation.

If I think over the last three, four, five years I do not have a ready example for that and I think it's indicative of the fact that we have a dedicated business unit, as well as dedicated segment focus, product distribution, as well as business expertise oriented around this.

It is a complex product to manage which is why we have dedicated expertise around it and we've been able to prove sustained strong performance. It is also important to note, as I indicated to a prior question, we don't view it as a one size fits all solution. If we don't believe that an ASO stop loss solution configured in the right way is going to work for an employer we're not going to push that because that's a lose for us and it's a lose for them. We'll present an alternative solution.

**Justin Lake (J.P. Morgan Chase):**

Okay great. Thanks.

**Chris Rigg (Susquehanna Financial Group):**

Good morning. Thanks for taking my question. Just one maintenance question here -- have you disclosed the new growth rates under the new accounting by segment on the top line? What are you expecting in Global Health Care and then in the Supplemental division, etcetera?

**Ralph Nicoletti (Chief Financial Officer):**

We haven't disclosed it by segment. We did provide it at Investor Day and hearing my remarks on the overall franchise with our outlook being between 8% and 12%. That is consistent with what we discussed when we were at Investor Day.

**Chris Rigg (Susquehanna Financial Group):**

Sure, okay. But can you give me a sense for what we should expect at least on the Health Care and the Supplemental Benefits businesses?

**Ralph Nicoletti (Chief Financial Officer):**

Directionally, what we've said in the past fits well within the range going into 2013. On the Commercial side of the business, we expect mid to high single digit growth and for Seniors, mid to upper teens. I think importantly, to point out, in 2013 we have an extra month of the HealthSpring business in our results.

Then in the Global Supplemental Benefits business you can think about revenue growth in the low 20s. And then within Group Disability and Life, the mid-single digits.

**Chris Rigg (Susquehanna Financial Group):**

Everybody likes to talk about the PBM and what you may or may not do strategically there but the one business segment that sort of stands out is the Disability and Life business in terms of sort of revenue growth versus profit growth.

Strategically when you look at your businesses is the Disability and Life business, do you generate a lot of synergies between that segment and Healthcare and Supplemental Benefits? And if not, is this something that you would consider doing something strategic with at some point in the future?

**David Cordani (President and Chief Executive Officer):**

Chris it's David. We've been focused on the disability portion of that business as a point of differentiation. We're able to offer a good value proposition from a life standpoint.

If you step back and you think about disability, just about every disability is correlated up against some medical issue. So there are synergies there for sure. We are able to offer an integrated value proposition to employers to both reduce the volume of short term disabilities and decrease the duration of disabilities by more actively managing and actively coordinating care for individuals with physicians over time.

So there are indeed synergies. Over time it's been a very well performing block of business for us. We've been very clear, these current market conditions are very challenging for that line of business and for the industry.

Even within that environment we've been able to deliver a very good value proposition for our clients and customers. I would suggest a reasonable return given the low wage growth environment, the unemployment environment and the sustained low interest rate environment that has an impact on the returns for the reserves.

At this point we continue to be very pleased with the business. We recognize that it is not growing. That's not lost on us. We continue to invest in it to make sure the capabilities are differentiated and we would have expectations over the immediate term to have it returned to an attractive growth rate on the bottom line as well as the top line.

**Chris Rigg (Susquehanna Financial Group):**

Okay thank you.

**Sarah James (Wedbush):**

Thank you. The commercial medical costs -- you guided up about 50 to 150 basis points for next year. So how does that compare to cost trends exiting 2012, excluding the elevated flu that's non-recurring? Is there anything you're seeing in the claims data, maybe on the hospital side that's supporting that assumption?

**Ralph Nicoletti (Chief Financial Officer):**

As we look into next year and as I mentioned in my remarks, 6% to 7% was the trend outlook for 2013 which is a step up from what we experienced in 2012, which was a little below 5.5%. We could think of that as really an uptick in utilization.

Inclusive in that is our expectation, particularly in the first quarter of the year that we're going to continue to see elevated claims related to the flu but that's within our trend of 6% to 7%.

**Sarah James (Wedbush):**

Are you seeing anything in your claims data so far that would support that increase utilization assumption or is that just a reversion to the mean thesis?

**David Cordani (President and Chief Executive Officer):**

I'll give you two points. One is we positioned last year stepping into 2012, use the term reversion to the mean. We had indicated that the overall utilization level was below historical standards and without multiple years of track record to reinforce why, we took a little bit a conservative posture stepping into 2012 that we thought was prudent.

As you see, our medical costs trend unfolded somewhat favorable as you noted. Some of that same posture is being taken for 2013 as well just given the environment we're operating in.

Ralph commented on the flu. We see some early indication of that in the fourth quarter and therefore some caution as we step into the first quarter of this year.

The last point I would give you though which is very important and it's unique to our book of business -- with 85% of our customers being ASO. We can see both their existing medical costs spend and trend and use that to consult with them to project their 2013 medical costs and trends.

Secondly, within the risk book of business, on average, our case sizes are a bit larger. We're not in the under 50 pool block of business so in many cases clients are actually seeing a subset of their overall medical cost performance as well. Point being is there's a lot of transparency case by case as we're converting just in the market place.

To your broad point, there is a bit of an underlying assumption of a little bit a reversion of the mean and if that doesn't transpire we'll be communicating that with you as we go forward.



**Sarah James (Wedbush):**

Okay great. And you've talked about the PBM in terms of growth opportunity but another aspect of the equation is unit cost savings. So can you just remind us how much of your medical spend is in the pharmacy category and as you think of unit cost how much savings is there really to be had between where you sit now and maybe the optimal or industry leading unit costs?

**David Cordani (President and Chief Executive Officer):**

Sarah, I'm going to take your question maybe in reverse order. We've been able to demonstrate in the marketplace that our total cost position related to pharmacy is fully competitive. You should think about our aggregate cost proposition in terms of units, severity or mix and cost per unit as competitive.

You should think about our pharmacy value propositions being fully competitive in the market. And it's best reinforced by the fact that we're growing it and we're growing in profitability. And we're growing profitably in a variety of segments.

Now having said that, is there an opportunity to further improve that overall cost equation? There are always opportunities for further improvement and that's why we're pinpointed on those meaningful opportunities.

As relates to the cost proposition, it's important to note that when we think about PBM or pharmacy we think about the fastest growing category being the injectibles. As you know, the injectibles show up in a variety of places.

A small amount typically shows up in the PBM or pharmacy line and the majority of it shows up in the professional and outpatient services line. That's an important part of the equation.

Stepping back to pharmacy costs, think about that being greater than 10% and some were less than 20% of the overall medical cost equation.

**Ralph Giacobbe (Credit Suisse):**

Thanks. Good morning. Did you talk about what the unfunded portion of the pension plan was at year end and how much you expect to contribute this year? And then just a follow up questions, given the exit of VADBe and your strong cash flow generation and stable operations for some time now, is there any increased appetite for a raise in the dividend?

**Ralph Nicoletti (Chief Financial Officer):**

Regarding the pension, in terms of our unfunded liability that came down as we moved toward year end driven by the return to the portfolio relative to our assumptions.

As we've done in prior years, we funded about \$170 million after tax contributions into the pension plan. Off-set by a lowering of our discount rate assumption which you'll see in our 10-K coming up later this month to be 3.5%.

So when you put all those together our unfunded liability moved down to about \$1.6 billion at the end of the year.

**David Cordani (President and Chief Executive Officer):**

Picking up on the second part of your question, our funding strategy has not changed. We're earmarking approximately \$200 to \$250 million per year pre-tax for the pension plan and you should think about that is, about \$150 to \$160 million after tax per year on a go forward basis which is well greater than any minimums that we need to fund into the overall program.

That bridges across your question around capital deployment strategy and specifically dividends. Of course to start that conversation, as Ralph noted in his prepared remarks, we continue to have a very attractive outlook for 2013 - \$1.3 to \$1.4 billion available for deployment, in addition to the \$400 to \$500 million we maintain at the parent company level.

So we have a very good starting point. Our strategy has not changed in terms of deployment priorities and as it relates to dividend in the overall decisions in terms of how to best deploy it. That's a dynamic process that we continue to consider throughout the course of the year.

We have an outstanding starting point as we step into the year to make those decisions.

**Ralph Giacobbe (Credit Suisse):**

Okay, thank you.

**David Cordani (President and Chief Executive Officer):**

In closing let me just emphasize a few points from today's conversation - most notably 2012 was another strong year for Cigna. We exceeded our growth and earnings expectations, reflecting contributions from each of our ongoing businesses, particularly in our Global Health Care business, as evidenced by our high customer retention rates, continued expansion of those relationships and ongoing success winning new relationships whether they are with employers, individuals, or government entities.

As we look forward and assess the transforming global economy and regulatory environment we see significant opportunities for continued innovation and growth driven by our differentiators of customer insights, collaborative selling and best in class physician engagement.

We continue to have a strong balance sheet and solid financial flexibility which was further enhanced this week by our agreement with Berkshire Hathaway to effectively exit the VADBe and GMIB businesses.

Based on the momentum we are carrying into 2013 we are confident about achieving our full year 2013 strategic, financial and operating goals.

We thank you for joining us on the call and your continued interest in Cigna and we look forward to continuing our dialogue as we go into 2013.

**END**