

CIGNA CORPORATION

**THIRD QUARTER 2013 INVESTOR TELECONFERENCE
THURSDAY, OCTOBER 31, 2013**

**DAVID M. CORDANI – PRESIDENT AND
CHIEF EXECUTIVE OFFICER**

THOMAS A. MCCARTHY – 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 Company’s health care operations, and the Company’s outlook for 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”, “will” 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 Cigna-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 Cigna-HealthSpring business by, among other things, operating Medicare Advantage plans and Cigna-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 pharmacy benefits management agreement with Catamaran Corporation, including without limitation, those related to the ability to transition and implement successfully the agreement in a timely, cost-efficient manner without an adverse impact on service to clients and customers, and the failure to achieve projected operating efficiencies, estimated earnings per share accretion and estimated financial contribution to the Company's results;
12. 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;
13. liability associated with the Company's operations of onsite clinics and medical facilities, including the health care centers operated by the Cigna-HealthSpring business;
14. heightened competition, particularly price competition, that could reduce product margins and constrain growth in the Company's businesses, primarily the Global Health Care business;
15. 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;
16. 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;
17. 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;
18. 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;
19. 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;
20. 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
21. potential public health epidemics, pandemics, natural disasters and bio-terrorist activity, that could, among other things, cause the Company's covered medical and disability expenses, pharmacy costs and mortality experience to rise significantly, and cause operational disruption, depending on the severity of the event and number of individuals affected.

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 Tom McCarthy, Cigna's Chief Financial Officer.

In our remarks today David will begin by commenting on Cigna's third quarter 2013 results. He will then discuss how our diversified portfolio of businesses, coupled with their differentiating capabilities, position us well for sustained future growth. Finally, David will conclude his remarks by making some brief observations about our expectations for 2014.

Next, Tom will review the financial results for the third quarter and provide an update on Cigna's financial outlook for the full year of 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.

Now as noted in our earnings release, Cigna uses certain financial measures which are not determined in accordance with accounting principles generally accepted in the United States otherwise known as GAAP when describing its financial results.

Specifically we use the term labeled adjusted income from operations and earnings per share on the same basis as the principal measures of performance for Cigna and our operating segments. And a reconciliation of these measures to the most directly comparable GAAP measure is contained in today's earnings release, which is posted in the Investor Relations section of cigna.com.

Now 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.

And finally, please note that when we discuss our full year 2013 outlook and discuss our expectations for 2014, it will be on the basis of adjusted income from operations. In addition, our comments regarding both outlook and expectations for earnings per share will be on a basis which excludes the effect of any future capital deployment.

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

David Cordani, President and Chief Executive Officer:

Thanks Ted, and good morning everyone.

I'll briefly discuss our financial performance for the third quarter and review our outlook for the remainder of 2013, then I'll address how our clear strategy and consistent, focused execution across our portfolio of diversified businesses continues to drive differentiated value for our customers and clients and attractive financial results for our shareholders.

I'll also highlight how our differentiating capabilities position us to continue to deliver attractive growth. And finally I'll provide some brief observations on our positioning for 2014.

I'll start with some highlights from the quarter.

Our focused execution of our strategy delivered strong third quarter results in each of Cigna's business segments, continuing our momentum of the first half of the year. Our third quarter consolidated revenue increased by 10%, totaling \$8.1 billion.

We reported adjusted income from operations of \$536 million or \$1.89 per share, which represents a per share increase of 12% over a strong third quarter of 2012.

Turning to each of our business segments, our Global Health Care business again performed well this quarter with continued favorable medical costs and disciplined operating expense management in our Commercial business, partially offset by some pressure on Medicare Advantage results.

We reported strong contributions from our Global Supplemental Benefits business while making, as expected, increased investments to position us for sustainable future growth.

In our Group Disability and Life business we delivered solid results, and again grew our book of business.

Our attractive consolidated revenue and earnings results extend our momentum for the first half of this year and give us confidence that we will achieve our increased full year 2013 outlook.

Now stepping back from our operating results and evaluating the market environment, we believe Cigna is positioned through our strategy of going deep, going global and going individual, to reach more customers in a personalized manner and to further improve affordability and clinical quality.

Specifically, our strategy is helping us capitalize on some of the dynamics we're seeing in today's global market place including; employers as well as individuals looking for affordable health care solutions; an increased focus on transitioning to payment systems based on performance and value rather than volume; and the continued emerging growth of the middle class around the world.

Beginning with the pursuit of affordable health care solutions, at Cigna we seek to engage and incent individuals in their health and wellness, as well as the active management of the chronic and acute health conditions. We then seek to leverage our leading physician partnerships where the focus is on differentiating clinical and service quality, as well as improved affordability.

We added nine new Collaborative Accountable Care relationships in the third quarter which underscores the priority we're placing on these programs and the progress we're making in this critical area. This brings us to a total of 75 Collaborative Accountable Care relationships nationwide.

At the same time our move to further strengthen our PBM, which will further improve affordability, is progressing well. This puts us on track to deliver additional client flexibility in 2014, all while providing attractive shareholder returns.

In addition to these changes that focus on affordability and quality, we're also seeing market changes that focus on expanding access to insurance. As you know, this is unfolding in the form of both public and private exchanges.

The Public Health Care Exchange Marketplace went live on October 1. At Cigna we have maintained a very selective approach to the first phase of the public exchange opportunity. We are participating where we are best positioned to bring the greatest value to our customers. And as our Go Deep strategy suggests, we are sharply focused. As such, we are participating in five states. In these markets our relative product and price positioning is consistent with our initial expectations.

Relative to the private exchanges, the marketplace is in the very early stages of development. And from our point of view we expect a continued evolution of these models over time. In fact, we believe the private exchanges may create attractive sustainable opportunities for some employers, who view them as a way to get their employees more engaged in their health care programs.

At this early stage in development we have chosen to participate in many of the first generation private exchanges. As we look to the future we believe the best long-term outcomes will be delivered in an environment where both employees and employers are engaged to improve health and productivity, while seeking to leverage the most sufficient physician engagement models.

So when we consider this initial stage of evolution and our differentiated health, wellness and physician engagement programs, as well as our proven direct to consumer engagement and marketing capabilities

that we have developed and deployed around the world, we believe the private exchange marketplace gives Cigna a potentially attractive opportunity over the long-term.

Turning now to how our strategy addresses the growing imperative for payment systems based on performance and value rather than volume, earlier I referenced our significant progress in our CACs in the commercial market, now with 75 programs in place.

Another example is Medicare Advantage, where our focus remains on driving differentiated care coordination, outstanding customer service, as well as lower overall costs fueled by value based rewards for physicians and health care systems. To that end today approximately 75% of our Medicare Advantage customers are currently in aligned physician models that pay for value.

Our focus on ongoing patient service and clinical quality improvement is underscored by our meaningful improvement in our 2014 Medicare Advantage stars ratings. We are pleased with our progress based on the updated ratings. We now expect about 40% of our Medicare Advantage customers to be in 4 Star or better plans.

In addition we are one of the few 5 Star rated plans nationally, which is the only 5 Star plan in Florida. This rating enables customer enrollment year round, which is a significant competitive advantage. This improvement can be partially attributed to our physician engagement model that rewards physicians for their commitment to the triple aim goal, which is to improve health outcomes, delivering greater value for customers, and driving better patient engagement and experience.

Transitioning now to the global markets, we are pleased with the results of our focused execution of our global strategy. At Cigna we are capitalizing on the evolving global market dynamics where the middle class is growing, and as such their needs are expanding. We are effectively reaching new customers through market leading customer insights and marketing capabilities combined with innovative distribution strategies.

Our carefully built relationships with affinity partners around the world are helping us to reach customers with our innovative products. As of today we have more than 150 affinity partnerships and we are positioned to grow further.

For example, in Thailand we recently deepened our partnership with Tesco, becoming the only insurance company to offer health and accident products within Tesco's - Tesco Lotus' superstores, a leading customer-centric retailer.

In China, Cigna and China Merchant's Bank just celebrated the 10th anniversary of our successful joint venture. And we're off to a good start with Cigna Finans, our joint venture partnership in Turkey. These partnerships all bring valuable health, life and other solutions to serve the rapidly growing middle classes in these countries consistent with our Go Deep, Go Global and Go Individual strategy.

Now looking ahead, grounded in the performance of our diverse portfolio of businesses, which continues to deliver a track record of strong earnings and growth, I am confident that we will achieve our increased full year outlook for 2013 and carry this momentum into 2014. Specific to 2014, we expect it to be a challenging year with the implementation of new laws and regulations and evolving distribution and care delivery models. In this environment we have positioned ourselves with a diverse portfolio of businesses and differentiated capabilities.

In 2014 we expect consolidated revenue and earnings growth over our increased 2013 outlook. It's important to note that we will achieve this differentiated result while we continue to invest for the long-term. I would also remind you that our future expectations exclude the impact of any potential prior year reserve development or future capital deployment.

We plan to provide detailed 2014 guidance during our fourth quarter call. Over the long-term we continue to see a competitively attractive growth outlook for Cigna.

Now to briefly summarize before turning it over to Tom, Cigna's third quarter performance marks another quarter of strong top and bottom line results for our business. This continued strong performance is driven by the contributions of our more than 35,000 colleagues serving our customers around the globe.

Through successful execution of our strategy and leveraging our differentiated capabilities across our diverse portfolio of businesses in key global markets, we believe we are well positioned to deliver competitively attractive results in 2014 and over the long-term. And with that I'll turn the call over to Tom.

Tom McCarthy, Chief Financial Officer:

Thanks David. Good morning everyone. In my remarks today I will review Cigna's third quarter 2013 results and provide an update to our full year outlook. I will also provide an update on progress that we've made to improve our financial flexibility, which is one of our strategic priorities.

The quarter included strong revenue and earnings performance in each of our operating segments, quarterly earnings per share of \$1.89 representing growth of 12% over the third quarter of 2012 and continued effective deployment of capital.

Overall the quarter reflects continued focused execution of our strategy and demonstrates the strong fundamentals of our operating businesses. The strength of these results provides us with good momentum and confidence to increase our full year financial outlook in 2013.

Now moving to some specifics.

Third quarter consolidated revenues grew 10% over prior year to \$8.1 billion driven by growth in our targeted customer segments. Third quarter consolidated earnings were \$536 million, representing 10% growth over the third quarter of 2012.

Regarding segment results, I will first comment on our Global Health Care segment. Overall, Global Health Care reported another good quarter with continued strong results in our Commercial business and some pressure in Seniors. Third quarter premiums and fees grew 7% to \$5.7 billion. We ended the third quarter with 14.3 million medical customers representing year-to-date growth of 255,000 customers.

Third quarter earnings in Global Health Care were \$424 million and reflect strong revenue growth and specialty contributions, operating expense efficiencies and attractive medical costs. Third quarter results were also impacted by a favorable tax adjustment offset by a strengthening of a litigation accrual.

Turning now to medical costs. We continue to manage medical costs effectively and deliver strong clinical quality for our clients and customers. Medical costs also continue to reflect low utilization trends. As a reminder, given that nearly 85% of our U.S. commercial customers are in ASO funding arrangements, our clients directly benefit from these favorable medical cost results.

Regarding medical care ratios, in our U.S. Commercial guaranteed cost business, our third quarter 2013 medical care ratio or MCR was 82.9%. We are pleased with the results of our Commercial risk businesses as they continue to reflect both a strong pricing and disciplined underwriting approach and a continued effective medical management and physician engagement.

In our Seniors business our third quarter MCR for Medicare Advantage was 85.5% on a reported basis, or 86.2% excluding prior year reserve development. This elevated Medicare Advantage MCR is due to a combination of revenue pressure and increased claim severity.

Across our Commercial and Seniors risk businesses our third quarter earnings include favorable prior period reserve development of \$20 million after tax of which \$9 million related to prior years.

Moving to operating expenses. For third quarter 2013 the total Global Health Care operating expense ratio was 21.8%. This ratio has improved over time reflecting our ongoing commitment to expense efficiency while maintaining strong service levels and continued funding of strategic investments.

To recap, we had another strong quarter in our Global Health Care business.

Now I'll discuss the results of our Global Supplemental Benefits business which continues to deliver attractive growth and profitability.

Premiums and fees grew 29% quarter-over-quarter to \$634 million driven by contributions from our recent acquisitions, most notably Great American Supplemental Benefits and our Turkey joint venture, as well as strong customer retention and new business growth.

Third quarter earnings in our Global Supplemental Benefits business were \$39 million reflecting attractive profitability, and as anticipated, our increased funding of strategic investments for future growth.

Group Disability and Life third quarter results were strong. Group premiums and fees increased 9% over the third quarter of 2012 to \$848 million. Third quarter earnings in our Group business were \$92 million, reflecting favorable results within our disability book of business, partially offset by unfavorable life claims.

The quarter also benefited from \$26 million after tax of favorable impacts from reserve studies, which compares to a \$5 million favorable impact from reserve studies in the third quarter of 2012.

For our remaining operations, results totaled to an after tax loss of \$19 million for the third quarter of 2013 and included the benefit of a \$14 million after tax gain associated with an IRS examination.

Taken as a whole, our third quarter results reflect strong revenue and earnings contributions from our ongoing businesses as well as significant free cash flow as a result of the continued effective execution of our strategy.

Now we'll discuss our full year 2013 outlook.

We now expect consolidated revenues to grow in a range of 10% to 11% over 2012. Based on the strength of our third quarter results we now expect full year 2013 consolidated adjusted income from operations in the range of \$1.9 to \$1.96 billion. This range is higher than our previous expectation and it reflects the strong underlying fundamentals in our businesses.

We now expect consolidated earnings per share in a range of \$6.70 to \$6.90 per share which is an improvement of 25 to 45 cents per share over our previous expectations. I will now discuss the components of our 2013 outlook starting with Global Health Care.

We now expect full year Global Health Care earnings in the range of \$1.575 billion to \$1.625 billion, an increase of \$55 million to \$80 million. This increased outlook for Global Health Care primarily reflects the effect of favorable medical costs, as well as improved operating expense efficiencies.

I'll now summarize some of the key assumptions reflected in our global health care earnings outlook for 2013 starting with our customer base. Regarding global medical customers, we continue to expect full year 2013 customer growth of approximately 1%.

Relative to medical costs, for our total U.S. Commercial book of business we now expect full year medical cost trend to be below 5%, which is at least 50 basis points below the midpoint of our prior guidance. We now expect the 2013 medical care ratio to be approximately 81% for our U.S. Commercial guaranteed cost book of business, which is 100 basis points lower than the midpoint of our previous expectations.

For our Seniors business we now expect our Medicare Advantage MCR for 2013 to be approximately 84%, which is 150 basis points higher than the midpoint of our previous expectations, reflecting the revenue pressure and increased claim severity that I noted earlier.

As far as operating expenses, we continue to expect our total Global Health Care operating expense ratio to improve by approximately 50 basis points over 2012's full year ratio.

Now moving to the other components of our outlook, for our Global Supplemental Benefits business we expect continued strong top-line growth, and now expect earnings in the range of \$185 million to \$195 million, which represents earnings growth of 25% to 32% relative to full year 2012.

Regarding the Group Disability and Life business, we now expect full year 2013 earnings in the range of \$290 million to \$305 million, an increase of \$5 million to \$10 million over our previous expectations.

And regarding our remaining operations, we now expect a loss in the range of \$150 million to \$165 million for 2013.

So all in, for the full year of 2013 we have increased our outlook for consolidated adjusted income from operations to a range of \$1.9 billion to \$1.96 billion, or \$6.70 to \$6.90 per share.

The updated EPS range also reflects our year-to-date share repurchase activity. Specifically, during the period August 1 through October 30 we have repurchased 6.4 million shares of Cigna's common stock for \$500 million bringing our total year-to-date share repurchase to 13.6 million shares for \$1 billion.

Now moving to our 2013 capital management position and outlook.

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

I would remind you of our capital deployment strategy and priorities, which have not changed. These priorities are providing the capital necessary to support the growth of our ongoing operations; pursuing M&A activity with a focus on acquiring capabilities in scale to further grow in our target areas of focus; and after considering these first two items, would return capital to shareholders primarily through share repurchase.

We ended the quarter with parent company cash of approximately \$500 million. After considering all sources and uses of parent company cash, and setting aside \$250 million to meet liquidity needs, we now expect to have approximately \$500 million available for capital deployment at year-end.

Overall, our capital position and updated outlook are strong and reflect the sustained performance of our operating segments.

Now I'd like to spend some time talking about progress on one of the goals we identified in the strategic framework we launched in 2009.

As you recall, our Go Deep, Go Global, Go Individual strategy is supported by three strategic pillars; focusing our portfolio of businesses, improving our strategic and financial flexibility, and pursuing new growth opportunities. One key aspect we identified for improving our financial flexibility related to our pension plan and its funding.

As part of our strategic framework we implemented a multiyear plan to address the underfunded position in our pension plan. We first froze the pension plan and beginning in 2011 started to make annual pretax contributions of approximately \$250 million, which was well in excess of the statutory minimum requirements, to address this underfunded balance. Our plan was to make these excess contributions over a 3 to 5 year period. Based on contributions made to-date, a continuation of the equity market's

strong performance, and increases in interest rates during 2013, the funding status of the pension plan has continued to improve. Assuming these trends persist through year-end 2013, we expect the funded status of the plan to improve significantly over last year and intend to reduce the amount of our annual pension plan contributions going forward, while still meeting the statutory contribution requirements. This will create additional free capital available for deployment in 2014 for the benefit of shareholders. We will outline the impact of this decision, as well as our 2014 capital management plan, on our fourth quarter earnings call.

Now to recap the quarter, our third quarter 2013 consolidated results reflect the strength of our global portfolio of business and a continued track record of focused execution of our strategies. The fundamentals in our business remain strong, as evidenced by third quarter results that reflect attractive financial performance in each of our operating segments, an increase in our full year 2013 outlook, and continued effective deployment of capital.

Based on the strength of these results, we are confident in our ability to achieve our full year 2013 earnings outlook. And as David indicated, we expect to carry this momentum into 2014. In addition, we believe our diversified portfolio of businesses with differentiated capabilities are well positioned to deliver long-term growth in revenue and earnings.

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

Scott Fidel (Deutsche Bank):

Thanks. First question, can you give us some more insights into some of the MLR pressure experienced by HealthSpring in the quarter. And maybe just tease out how much of that was revenue pressure related to sequestration, as compared to some of the claims pressure that you cited and if there were any particular geographies or products that were impacted by the claims pressure in the quarter? And then finally, as you think about the third quarter performance, how you feel about the bids that HealthSpring submitted for 2014.

Tom McCarthy (Chief Financial Officer):

Hi Scott, it's Tom. First, again the comparative basis matters here. Recall that we are anticipating an increase, or have anticipated an increase in the Medicare Advantage MLR going into this year based on repositioning for the health reform affects.

But the elevated result this quarter, as you point out, is from a combination of revenue pressure including the impact of sequestration and a revenue true-up reflected in the quarter and some increased claim severity.

As it relates to the revenue true-up, some of that related to the full year accrual for revenue due to CMS, so adjustment in the quarter for the full year accrual, and that accounted for about 150 basis points on the elevated third quarter MLR.

On the claim severity side, that reflects a higher cost per claim. So it's not the number of claims or unit cost per se, but a higher cost per claim due to more complex conditions and treatments. And again, we are actively working to address those issues. Regarding your comment on the bid, we're confident that we have, through our engaged physician model, we have the levers in the toolkit to manage this dynamic in 2014.

Scott Fidel (Deutsche Bank):

Okay, then I had a follow-up question just on the initial outlook for 2014, and the fact that you're expecting to be able to grow off of a meaningfully improved base here for 2013. And you've had a couple of competitors come out, and talk more about the potential for flattish or modestly down earnings, or 2014 being flattish as a floor.

Could help us think about what you think are the key differentiating drivers of the better relative outlook. Is it better performance that you're expecting in the Global Health Care business, or do you think it reflects the fact that you've got a different business mix here, with the international and group insurance business as well?

David Cordani (President and Chief Executive Officer):

Good morning Scott, it's David. Let me tease out your question relative to 2014.

First as you know, we're quite pleased with the fact that we are on track to have a very strong 2013. The backdrop of the '13 results that will carry into 2014 are really the strength of our diverse portfolio businesses and our consistent focused execution.

As we look to 2014, as I noted in the prepared remarks, our expectation is that we will grow revenue and earnings. And to be clear, we exclude any impact of reserve development or capital deployment in that.

And you should think about that being driven by the strength of our ongoing organic growth; from additional contributions from the further strengthening of our PBM; and then the additional operating efficiencies that we've been able to garner each year, that goes across all of our lines of business, including the international businesses; and then there are some structural headwinds that we'll be able to offset because of the diverse portfolio of our businesses.

The final note I would give you is, both given the strength of our 2013, as well as some of those industry structural headwinds, at this point we indicate that we will expect to grow earnings, as well as then obviously EPS, but probably earnings at a lower rate than our 2013 growth rate or our historical run rate. Nonetheless, a positive result leveraging both the diverse portfolio of our businesses and our consistent execution.

Scott Fidel (Deutsche Bank):

Okay, thanks.

Justin Lake (J.P. Morgan Chase):

Thanks. So first a follow-up on 2014. As I think about some of the headwinds and tailwinds for 2014, I calculate about 50 cents of headwind just from a lower tax rate, the prior period development that you probably won't put into guidance. You've got the PBM offsetting it, and you mentioned some of the other drivers.

Are those two factors worth 50 cents and kind of one-time items benefitting this year and should we think about 25 cents of accretion in the PBM for next year? Can you talk specifically about 2014 on Medicare Advantage, given you've taken up the MLR here, how much of a headwind should we expect that to be on MOR and EBIT versus 2013?

David Cordani (President and Chief Executive Officer):

Good morning Justin, it's David. As we noted in our prepared remarks, we'll provide comprehensive and more complete guidance for 2014 on our fourth quarter call. But let me give you a little bit more color in terms of how to think about it.

First, you're correct; consistent with our policy, we don't project any reserve development. And through our results you can see with our favorable reserve development for this year, of approximately \$70 million after tax. So extract that from the consideration. You can make your own estimate on the taxes.

You referenced Medicare. I'm not going to go through the details of that, we'll go through the details of that in the fourth quarter. But it's an important headwind that over the long-term we feel very confident on. But it's an important headwind. We'll be able to offset that in our portfolio.

And then finally an item I would just draw your attention to is, as I think you know, the implementation of ACA requires the sun setting of a line of business, specifically limited benefits. That'll have a downtick in terms of our business and from an earnings contribution standpoint next year, that's also fully contemplated in our expectation.

So when you take all of those headwinds together, including our assumption that we're not projecting the favorable return development on a go forward basis, taking all that into consideration we'll still be able to grow organic earnings in 2014 off of a strong base, and that's what we are excited about.

Justin Lake (J.P. Morgan Chase):

That's really helpful. So am I right in thinking that EBIT contribution from Medicare Advantage is expected to be down. And then can you give us an idea of how to size that limited benefit headwind?

David Cordani (President and Chief Executive Officer):

Justin, round numbers the impact of the sun setting of the limited medical benefits business is \$25-30 million after tax.

On the Seniors business, we'll talk more comprehensively on the fourth quarter call. I think the headline I'd ask you to take away from that is first, as Tom noted, we feel good about the bid positioning we have for 2014. We know we have the leverage to be able to manage this business. And we're quite confident over the long-term that the engaged physician model, the engaged individual beneficiary model is the sustainable model, and it's something we will both grow from a covered life standpoint in 2014, and grow both lives and earnings thereafter. But 2014 is a pressure year for that line of business from a margin standpoint.

Justin Lake (J.P. Morgan Chase):

Got it. And then if I could just ask a follow-up on the private exchanges. Just wanted to get your commentary, in terms of the trajectory here of what you expect over the next 3 to 5 years, let's say in the active employee market specifically. And then talk about your positioning and what you think the potential impact to your benefits business could be over time. Thanks.

David Cordani (President and Chief Executive Officer):

Sure. Well done, in terms of sneaking in a third question. So relative to the private exchanges, as noted in the prepared remarks, first we're in the very early stages of this. And important to note, as you know based on your question, there are multiple different versions of private exchanges today; so single carrier, multi-carrier, self-funded, risk based exchanges, retiree active businesses.

Taking a step back, early stages, so long as those exchanges are able to create sustainable value for employers and individuals, we think there's a growth opportunity. We're in position to play in many of them today.

Most importantly we're confident that we have the capabilities -- both the health engagement and network capabilities -- as well as the diverse funding mechanisms and consumer engagement capabilities to play in any one of those alternatives to the extent they demonstrate the ability to create sustainable value.

It's premature to give you a long-term projection. We think they'll be part of the future distribution model. And we're positioned to play in a variety of those as they evolve over time.

Justin Lake (J.P. Morgan Chase):

Great, thanks for all the color.

Josh Raskin (Barclays):

Thanks. Good morning. Just a follow-up on the third quarter Medicare Advantage MLR. Your MLR was up 550 basis points year-over-year, in the second quarter it was 250. Sequestration has been in all that. And I think you mentioned 150 bps from the claim severity.

What exactly deteriorated so much in the third quarter on a sequential basis? And maybe some color as to where or why these more severe claims are coming in.

Tom McCarthy (Chief Financial Officer):

Hello Josh, it's Tom. The impacts you noted are right -- the dynamics the revenue impact and the claim severity impact. And the revenue impact again depending on the comparison you're making sequestration is an impact but obviously not sequentially.

The number that you picked up though the 150 basis point impact was related to the revenue is an additional revenue adjustment booked in the quarter for the full year result. And roughly would relate to the claim severity item.

Josh Raskin (Barclays):

Got you, so 150 is the some sort of risk premium true up? And then another 150 is the severe claims?

Tom McCarthy (Chief Financial Officer):

Yes.

Josh Raskin (Barclays):

Can you provide any clarity on those claims? We haven't seen that from any of the other companies talking about these sort of high severity cases? I'm curious if you think there's any root cause of that or if there's any geographic sensitivity to it.

Tom McCarthy (Chief Financial Officer):

There are a number of drivers. And I wouldn't want to call out one any one in particular. But you can be assured that our team is focused on improving that result both into the fourth quarter and into next year.

Josh Raskin (Barclays):

Okay and then a follow-up just on the private exchanges. Could you talk specifically about your experience in 2013 with these exchanges and how you feel as though your results are?

Specifically to the AON exchange which, my understanding is that it has the majority of the active enrollees for 2014 to this point and your decision not to participate on that exchange?

David Cordani (President and Chief Executive Officer):

Josh, its David. Good morning. As I noted before the industry is in the early stages of implementation of the private exchanges to the first part of your broad question therefore our experience is somewhat limited.

There are small pockets of experience on a variety of exchanges as I indicated on the prior question. There are some single carrier multi choice exchanges that we have experience on. There are multi-carrier alternatives that we have experience on. There's ASO experiences and then there's some risk based experiences that we see.

Important to note, as I indicated before, we have the capabilities to play under any of the configurations. We've chosen to date to focus on the areas where our customers and our target customers seem to have the highest level of interest.

And to date that has been because our customers have indicated that they have the highest interest in incentive and engagement based programs that have pooled or bundled purchasing a high level of transparency is absolutely focused.

The value we're delivering is quite strong as indicated with our further improvement in our medical cost results. However as we look forward to the extent that changes and other models deliver more attractive value, we have the capability to play there on a go forward basis.

So the options are open for us. And the capabilities are in hand to play in any one of those configurations should they prove to have a sustainable result for the benefit of employers and customers.

Josh Raskin (Barclays):

Was there something specific around the AON exchange that did not create that level of attraction or opportunity for you that you're not participating next year?

David Cordani (President and Chief Executive Officer):

I don't think it is helpful to go into an individual exchange example. I'd ask you to step back and think about how everything that we've done over the last four years has been driven by focus, focus, focus.

Our Go Deep strategy has us focusing. So essentially as we listen to the voice of our customers and the orientation of what our customers are seeking to purchase was orientated around other alternatives today. So we've focused our resources to date on other scenarios. To the extent the needs and demands of our target customers evolve, we'll evolve -- we're focusing our energy.

I'd ask you to think about it that way. We're not trying to be all things to all people. We're trying to focus on the needs of our customers and deliver differentiated results. Both our 2013 results and our projected 2014 results show that we'll continue to grow in keeping that level of focus.

Matt Borsch (Goldman Sachs):

I was hoping you could maybe address the outlook for January enrollment? And along with that comment on the pricing environment you're seeing on the risk side and an update on your progress getting the industry fee and related tax impact reflected into commercial pricing?

David Cordani (President and Chief Executive Officer):

Matthew, it's David. A little bit of color. In terms of looking at January enrollment and as you'd expect at this point in time we have a better view in terms of what we historically would call National Accounts and a less complete view in the Regional and the Select Segment.

Let me give you some color on National. And then take the opportunity to give you a little bit of color more overall relative to our growth. Then I'll ask Tom to make the comment relative to the positioning of the tax from a pricing standpoint.

Relative to National accounts, to remind you we define that a little differently than everybody else. So those are commercial employers with 5,000 or more employees that are multistate. That segment of the population, the employment base is shrinking in a 1% to 2% range. That's our view of that target segment.

Our strategic objective is to maintain share and continue to penetrate those engagement and incentive based buyers. And for 2014 we would expect to achieve that. Our pipeline of new business opportunities was down a little bit as I indicated on the prior quarter call.

Our pipeline of our opportunities that were out to bid was also down somewhat. But taken altogether our National account results will be year over year of equal to slightly improved for 2014.

If you look at our commercial book of business in total at this point, we'd expect our commercial book in total to be about the same year over year. When you adjust for the known runoff of the limited benefit business that I made reference to before, you can think about that as about one percent of covered lives will run off in 2014.

So commercial in total about the same year over year strong retention across our portfolio of businesses, some reasonable good new business growth, and overall that's going to contribute to a nice revenue result as commented and we have strength in 2013 and we expect to have strength in 2014.

I'll ask Tom to make a comment on the industry fee.

Tom McCarthy (Chief Financial Officer):

No real change in the market pricing dynamic – it seems to be traditionally or typically rational. There are occasional pockets of accelerated competitiveness but no major turn to call out.

On the industry fee in particular as you know we tend to have a disciplined pricing underwriting approach. The industry fee is another cost factor that we have built into our process. And we've included this in the amount we need to recover to adjust for the fee in our pricing. And so far we seem to be encouraged by the results there.

Matthew Borsch (Goldman Sachs):

And if I could, just one follow-up here on the commercial trends. Are you seeing the continued bias to self-insuring in the middle market in particular? Has that accelerated because of the industry fee on the fully insured side? Are you seeing any inroads from the private exchange fully insured model offsetting that to some degree?

David Cordani (President and Chief Executive Officer):

Matthew, it's David. Two comments relative to buying trends. First before I get to the funding mechanism I would submit to you that we see a continued intensity of focus on improving wellness programs, prevention programs, consumer engagement programs.

A high level of interest in what the industry may call higher performance networks. We call them our collaboratives or engaged physician networks.

As it relates to funding mechanism, we've seen a continuation of the trend. I wouldn't attach it to any one item. We've seen a continuation of interest, demand, and attractiveness to more transparent funding mechanisms.

So take that as the self-funding mechanism. For 2013 and as we look to 2014 we see no material impact or drain from that demand from a guaranteed cost standpoint.

Matthew Borsch (Goldman Sachs):

Thank you.

Ralph Giacobbe (Credit Suisse):

Thanks good morning. There has been some movement in the ASO market and National Accounts.

Can you talk about that segment specifically the competitive landscape and what's going on there?

Can you maybe talk about the profitability of lives by segment? We've seen some movement in National Accounts whether it be swapping carriers or moving risk to ASO with seemingly little if any financial impact. Is it fair to say a profit per life is much lower in a national versus a middle market or a select account?

David Cordani (President and Chief Executive Officer):

Ralph, good morning. It's David. I have a couple of comments here. First, regarding my prior comment as we look to 2014 on an all in basis, adjusted for the known sun setting of the limited benefit business we expect our Commercial customer performance to be about the same year over year. So that's on an all in basis.

As it relates to National Accounts -- and again we define it a little bit more narrowly than some of the competitors so those commercial employers of 5,000 or more employees that are multistate -- our current outlook is for a slight uptick in performance or improvement in performance year over year driven mostly by retention. So the sales results are about consistent but it's mostly in improvement and retention.

You can look at our book of business while there's always going to be a put and take here or there our book of business is about the same across the franchise with a little uptick in National accounts.

I'll give you a little directional color on your profitability question. The primary drivers of profitability are long term relationships where you're delivering sustainable value for your client and customer and where you earn the right to expand the relationship from our point of view with multiple products and services.

In the specialty portfolio, the health improvement, the prevention, the wellness programs are critical parts of our business strategy. Said otherwise we seek to not sell a standalone ASO funded relationship as an example.

To that end the penetration rate across these segments is the highest down market in the Select segment in the packaged solution works in the most intense way, and it's the lightest up in the National Account segment.

A general rule of thumb -- you could conclude that as you go from the largest sized account and segment down to the medium and smaller side, all of the things remaining equal, profitability dials up somewhat but that's largely driven by further penetration of the specialty business. For Cigna as you look at our performance, our revenue, our profitability, our profit prolife and our retention performance suggests that we're managing that quite well.

We're delivering good value back to our clients as evidenced by the retention rate and the continued success we're having.

Ralph Giacobbe (Credit Suisse):

That's helpful. Regarding cost trend, coming into this year I think you priced your book for 6% to 7% trend. Can you give us a sense at all of what you expect and priced going into next year? Thanks.

David Cordani (President and Chief Executive Officer):

Ralph, it's David. We'll provide detailed guidance at the end of the fourth quarter. So we're not going to give you the specific numbers.

You should assume though that we have consistency in our approach. We will, in our pricing, have the best estimate of medical cost trend. For our medical cost trend outlook we're taking a basic assumption of somewhat of an uptick in utilization as we had last year.

To the extent that that plays out we will have priced that into our book of business. On the fourth quarter call we'll give you the specifics just anchored in the fact that we're pricing at our underlying cost level that we're projecting for 2014 which include this somewhat of an uptick in cost pressure.

Ralph Giacobbe (Credit Suisse):

Okay thank you.

Christine Arnold (Cowen and Company):

Good morning. Thank you. Could you speak to specifics on Medicare Advantage?

What was your bidding strategy and how that 75% customer level in collaborative arrangements represents a lever and some of the other levers that you're using to offset some of the pressure? Also, the full year revenue accrual in MA that we saw this quarter was that in fact a risk adjusted accrual?

David Cordani (President and Chief Executive Officer):

Christine, it's David. I'll start with the bidding strategy. I'll ask Tom to come back to the in quarter revenue adjustment.

At a macro level and as we've talked about before the bidding strategy for our Medicare book of business has been consistent. Consistent with what HealthSpring's philosophy has been and Cigna HealthSpring's current philosophy, we want to price to have a sustainable set of relationships with your clients and customers. You want to avoid large wild undulations in the rate shop or otherwise. And you want to have long term sustainable relationships.

Taking that forward we took a position to price our book of business for 2014 and our new business offerings on a market by market basis to our best estimate of what would create a good value proposition for beneficiaries both existing and perfective as well as a reasonable balance of margin knowing there's a lot of disruption.

The key lever for us is an engaged physician model with incentive and risk sharing and reimbursement sharing with the physician.

That's a very important lever because the physicians are engaged with us in a dialogue in terms of how we're configuring that value proposition for 2014 in this case. Those physicians want to work with us jointly arms locked to make sure we get the best possible value proposition in place. So it's a very collaborative operation that happens market by market.

Our expectation right now based on our look at our pricing, the product attributes, market by market as the competitive data comes out broadly around the country we're pleased with how we're positioned from a product and price standpoint.

Of course there are going to be puts and takes by market. But if you take the national position we have in our key markets we're pleased with our positioning for 2014. We would expect to grow our Medicare Advantage covered lives in spite of some margin pressure given all the industry change it will confront in 2014.

Tom could I ask you to re-clarify the revenue item?

Tom McCarthy (Chief Financial Officer):

Christine, regarding your question about the general levers - there is the physician engagement model, as well as benefits adjustments. I'd also point out we have a number of markets where we're still in the early stage of focusing the physician engagement model.

In fact another lever for 2014 is more focus on those markets where that model is a little in the earlier stages of development.

As David said overall, we have many positive things to mitigate the impact but we still are expecting margin pressure in Medicare Advantage in 2014.

To your second more specific point yes that adjustment is largely related to risk adjusters.

Christine Arnold (Cowen & Company):

Okay thank you.

Kevin Fischbeck (Bank of America Merrill Lynch):

Great thanks. You talked about some of the headwinds into 2014. Can you talk about some of the tailwinds that you are looking for that you see confidence in being able to deliver earnings growth on top of the higher guidance for this year?

Obviously the PBM would be one area but anything else that you would highlight as giving you confidence for growth next year?

David Cordani (President and Chief Executive Officer):

Kevin, good morning. It's David. I'd highlight three items. First I would just highlight it is organic growth. We expect to again grow revenue and grow revenue at an attractive level. So what's behind that?

What's behind that is in the core medical business some customer growth, further expansion of our specialty business, continued growth of our group insurance disability asset, and lastly continued attractive growth of our global business.

Organic growth would be one, two would be the point you raised the further strengthening of our PBM would create a tailwind for us, and third I would highlight we now have a track record of continued prudent operating efficiency leverage in the franchise.

That would be a contribution as we go into 2014. All while we continue to invest back in the franchise for the long term. Those would be the three primary tailwinds that I would highlight for you.

Kevin Fischbeck (Bank of America Merrill Lynch):

Okay. And then just a follow-up question on the private exchanges. Aetna talked about the movement of ASO back to risk as being something that would increase profitability of membership four to five times on their conference call.

I understand where their math is coming from. Do you see that same opportunity? Would your focus on stop loss as a supplement to the ASO business change the dynamic and how you thought about shift from ASO back to risk?

David Cordani (President and Chief Executive Officer):

Sure Kevin. It's David. I'll give you a grounding point and then how we think about it. To be clear we have the ability to offer ASO, ASO with stop loss, shared returns and risk alternatives in the market and we do every day.

For example in the Select segment, a segment that's growing very nicely for us and has proven the ability to grow on a consistent basis, we frequently will put in front of a client and perspective client an ASO stop loss alternative side by side with a risk alternative. And in a consultative fashion get to the right outcome for that client at that point in time.

As Tom would like to say sometimes we're a bit agnostic. We want to get to the right solution for the employer and you want to have the capabilities to be able to deliver good value for the client as well as a fair return from a shareholder standpoint.

With that said I would submit to you that not thinking about the competitive landscape but thinking about it from a Cigna landscape our success in terms of having a vibrant portfolio of specialty businesses and the ability to package solutions and delivered overall proposition has presented an environment where our ASO profitability is quite attractive.

I wouldn't look at a similar leverage point as you move between a simple ASO stripped down ASO business versus a risk piece of business.

Finally I feel compelled to state the obvious. The capital efficiency needs to be taken into consideration under any of those scenarios. Currently we take that into consideration because we underwrite risk business every day in our company.

But I think it's a little bit of a pause to say you're just going to line up a profitability pro-life. In summary, one, we have the ability to do this today, two, we do it shoulder to shoulder every day, and three our success in terms of packaging solutions whether it's in the ASO proposition or risk proposition gives us confidence that we'll be able to thrive under either of those scenarios going forward.

Kevin Fischbeck (Bank of America Merrill Lynch):

Okay great. Thanks.

Chris Rigg (Susquehanna):

Good morning. Thanks for taking my question. Just want to come back to Medicare Advantage quickly here just to clarify. Is the claims pressure across the board or is it isolated to a handful of plans, or a region, or any color as to what you're seeing there would be helpful?

Tom McCarthy (Chief Financial Officer):

Chris, it's Tom. I wouldn't call it across the board but I wouldn't call it isolated either. It's in a number of markets some a little more intense than others. And again we're working aggressively to address the problem right now.

Chris Rigg (Susquehanna):

And then is it in one sort of bucket of utilization inpatient, outpatient, pharmacy or is it again just across the board?

Tom McCarthy (Chief Financial Officer):

Yes. It's generally in the facility costs.

Chris Rigg (Susquehanna):

Regarding the Disability and Life business it looks like you've seen it stabilized from relatively low level of profits in the first quarter, rebounded in second and third quarter, now it looks like you're expecting that to drop back off in the fourth quarter. Is that -- is there something to highlight there?

Tom McCarthy (Chief Financial Officer):

It's Tom again. I take you back to the headlines first. And you have picked up on the overall headlines for the results that the Group business has been performing really well in a challenging environment. The dynamics on that business are a little different from what you're used to in our core health care business.

There is more variability in results due to the nature of the business. Really what we're talking about is some normalization across the year to a good result.

Chris Rigg (Susquehanna):

Okay. Thanks a lot.

Peter Costa (Wells Fargo):

Can you quantify the impact of the health insurance fee and the premium tax and the per member fee in terms of the midyear enrollments? What's going to be the headwind for next year?

Tom McCarthy (Chief Financial Officer):

Peter, it's Tom. Right now we would estimate that it is a 10 cent EPS headwind going into 2014.

Peter Costa (Wells Fargo):

Okay. It seems like on a virtually weekly basis we're getting more and more things that look like they're causing the risk pool on the exchanges to get worse, whether it be the delay in the employer mandate, or the website not working, or the change in terms of how the ability for hospitals to pay premiums for enrollees, and going forward the cost sharing subsidies not being or becoming susceptible to the sequester cuts, or even a delay in terms of the individual mandate if that happens or an extension of the timeframe to sign people up.

When does this become too much in terms of making the risk pool too sick to the point where you decide to step away from the exchanges altogether?

David Cordani (President and Chief Executive Officer):

Peter, good morning. It's David. You paint an interesting picture. But as you step back putting it back into a Cigna context as you know Cigna has historically not had a meaningful small employer, under 50 life employer, or individual guaranteed cost book of business.

Therefore we were not forced to take action to protect a portfolio of businesses. As you know from our prior conversations we've sought to test the market over about a three year period of time with new benefit offerings distribution strategies.

We've stepped in on a very focused basis in five states working with physician collaboratives to offer solutions that we think offer a very good value and can be sustainable.

Point one is -- we're very focused for 2014 in a limited number of markets with our physician partnerships in hand in those markets. Our expectation is that we're in the very early innings. And when you're in the very early innings of anything it's going to be rocky.

We're going to maintain a very sharp focus. And as we've consistently said we've cautioned to not look at this opportunity for our company as a watershed moment for revenue or earnings contribution whether that's for 2014 or 2015.

It may present a long term opportunity. And we want to be in position relative to that. We are running our business that the core of the franchise needs to be able to deliver and it will deliver both revenue and earnings growth for 2014 despite the challenges you just articulated for that early emerging marketplace.

Peter Costa (Wells Fargo):

Thank you.

Carl McDonald (Citigroup):

Thanks. I wanted to see if we could come back to the underlying earnings base for 2013. I can back out all the positive things that you've disclosed to come up with 50 cents to 55 cents. It also seems like every quarter there's a handful of negative things that you don't disclose. You talked about the unfavorable life experience this quarter, the strengthening litigation reserves.

Just interested if you have a view relative to your \$6.80, \$6.90 guidance what we should think about as being the underlying earnings number for 2013?

Tom McCarthy (Chief Financial Officer):

Hello, it's Tom. You know, I'm not sure it's going to be really helpful to get into the details of that. As you point out some of the items end up being more publicly discussed and some of the items being in the run rate.

The results in the quarter pretty clearly indicate that this is a strong quarter. And the last few quarters have been strong quarters in fundamental results. We've had consistent better than expected operating expenses, consistent better than expected medical cost and commercial, our disability results over the course of the year despite some of the ups and downs of the reserve studies have been good for the year.

And we continue to show really strong results in supplemental benefits and revenue earnings. This quarter did have a couple of favorable impacts in it but overall good fundamental results are driving the quarter's results.

David Cordani (President and Chief Executive Officer):

Carl, it's David. Just to add to Tom's point when you take that together you take our all in reported number for 2013 and our revised upward outlook for that we're committing to be able to grow our earnings base and grow our revenues base going into 2014.

Tom and I highlighted a few of items that you could view as thinking a lot differently. In a prior comment Tom just commented on the industry fee headwind it's created.

We have the runoff of a line of business that accommodated maybe of through \$25 million, \$30 million.

We've had favorable medical costs and the reserve development those are all chunks that you could model out.

But I think the headline here you need to step back and look at is 2012 was a very strong year. We grew up the base of that in 2013. We've continued to grow 2013 throughout the course of the year.

Our expectation is despite all the moving we're going to be able to grow earnings into 2014 as well, albeit the rate of growth from a percentage basis will be a bit smaller than our historic run rate. And we're very excited about that.

Carl McDonald (Citigroup):

Okay thank you.

Dave Windley (Jefferies):

Hi. Thank you for taking the questions. I wanted to start on capital if I could. I'm guessing that your priorities for capital deployment are probably very similar to what they have been in the past if not I'll let you elaborate.

I am curious your comments about reducing contributions to the pension. Would you expect to have more capital for deployment? If so would you be more interested in deploying that for acquisitions? Has your appetite been renewed there or should we expect perhaps more share repurchase?

Tom McCarthy (Chief Financial Officer):

Dave, it's Tom. You are right our capital deployment priorities haven't changed.

Our first priority is to fund organic growth, second is to seek M&A opportunities that fit with our strategies, and then we return capital to the shareholders primarily through share repurchase.

And again we wouldn't change those priorities. I wouldn't try to foreshadow activity in one area or the other. We'll be very closely focused on what aligned with our strategy.

To your more specific comment on pension plans -- yes, you have drawn the right conclusion there.

Over the last few years we have targeted \$250 million pretax to fund the pension plan. And that was consciously funded above the minimum requirement.

In 2014, while we do have to wait until we get to year end and see how market conditions are in the final reporting on the plan, it's likely we would transition to a minimum funding approach which in 2014 would likely mean about \$100 million pretax contribution for the plan instead of \$250 million.

Dave Windley (Jefferies):

Okay very good. Thank you and then apart from a lot of the healthcare comments here I wondered if there were any particular hot spots in some of your other international, expatriate businesses that are worthy of note in regard to maintaining or accelerating growth in some of those other segments?

David Cordani (President and Chief Executive Officer):

Dave, it's David. You used the term hotspots so I'm taken a connotation of caution. The only thing I would draw your attention to is that as noted in our prepared remarks we continue to invest in our Global Supplemental Business on an accelerated basis in the third quarter.

Broadly for the portfolio we feel quite good. The track record of revenue growth, earnings growth, and customer base expansion and the other lines of business is quite strong. And we expect to continue that.

And we're taking the steps to further accelerate investments that we think are prudent in all of our businesses.

Dave Windley (Jefferies):

Very good. I actually did mean good things so thanks for the answer.

A.J. Rice (UBS):

Thanks. Hello everybody. First specific question on the PBM you refer to that as one of the positives for next year. When you originally announced the deal you guys said that transition costs would come first. And it would be about a 10 cent to 15 cent headwind in the third quarter before it swings positive or neutral in the fourth.

I want to just confirm that that is what you're seeing? And is the transition going about as you gauged it in the summer when you announced the deal?

Tom McCarthy (Chief Financial Officer):

A.J., it's Tom. To that specific point on the quarterly dynamics the pace of spending was actually a little less than we expected in the third quarter but we're still on track in the overall plan and we still expect little net impact overall in 2013. So, really comfortable with where we're headed on that project right now.

A.J. Rice (UBS):

Okay. You mentioned signing new nine new collaborative care relationships. I wondered with the dynamic of right on top of the rollout of the exchanges, what is the dynamic of your discussions with providers around these collaborative care relationships? Is it changed that in the last six to 12 months, is it -- are you seeing more or less opportunities, and are you seeing competition from other people trying to put these together as well as you? Has that changed in any way?

David Cordani (President and Chief Executive Officer):

A.J., good morning. It's David. First just by way of backdrop comment here -- remind you that we started and we set up our first collaborative back in 2008. We stood up eight of them to test a variety of different models.

So we've been at this for a while is a first point. Second with the 75 up and operational on the commercial side plus having 75% of our Medicare Advantage customers in a physician engagement model we're well in excess of a million lives that are experiencing these services today on a dedicated or comprehensive basis.

As it relates to the market dynamic you should think about it as a market dynamic of increased demand -- not stable or decreased demand from position and delivery system partners.

Any change in that the intensity is up ticked in terms of the facility integrated systems on top of what has been the physician organization so more demand increasing in the physician space as well as now increasing in the integrated facility base.

This is an area that everybody is talking about. There's a lot of activity. I would submit that our team is extremely well-positioned because we've been at this a while. From a Medicare standpoint the HealthSpring team has been at this for well over a decade with a very proven track record.

From a commercial standpoint we've now eclipsed five years of experience here so a good outlook for the future to continue to grow this.

And what's most important is at the end of the day are you able to deliver a differentiated result for your client and customer.

The exciting part here is that from a commercial standpoint we could point to improved results, better medication compliance, better clinical engagement, and lower medical costs that are passing through. These are positive from a sustainability standpoint.

A.J. Rice (UBS):

Okay. Thanks a lot.

David Cordani (President and Chief Executive Officer):

Thank you. In closing I'd like to underscore just a few points from our discussion this morning. Cigna's third quarter results reflect strong revenue and earnings contributions from each of our ongoing business segments, continue our track record of strong financial results, and our momentum from the first half of the year.

We are confident in achieving our increased full year earnings outlook for 2013. Looking ahead we expect to grow revenue and earnings in 2014 over our increased 2013 outlook. And this excludes any future reserve development or capital deployment.

We continue to deliver our Go Deep Go Global and Go Individual strategy to leverage our capabilities around customer insights, consultative selling, and physician engagement to guide us through an evolving and disruptive environment.

We thank you for your participation today and for your continued interest in Cigna. And we look forward to our future conversations. Have a great day.

END