

CIGNA CORPORATION
FOURTH QUARTER 2008 INVESTOR TELECONFERENCE
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**H. EDWARD HANWAY – CHAIRMAN AND
CHIEF EXECUTIVE OFFICER**

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

**MICHAEL W. BELL – EXECUTIVE VICE PRESIDENT AND
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

The Company and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company’s filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management’s beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include but are not limited to the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company’s productivity initiatives, litigation and other legal matters, operational improvement in the health care operations, and the outlook for the Company’s full year 2009 results. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “believe”, “expect”, “plan”, “intend”, “anticipate”, “estimate”, “predict”, “potential”, “may”, “should” or similar expressions.

You should not place undue reliance on these forward-looking statements. The Company cautions that actual results could differ materially from those that management expects, depending on the outcome of certain factors. Some factors that could cause actual results to differ materially from the forward-looking statements include:

1. increased medical costs that are higher than anticipated in establishing premium rates in the Company’s health care operations, including increased use and costs of medical services;
2. increased medical, administrative, technology or other costs resulting from new legislative and regulatory requirements imposed on the Company’s employee benefits businesses;
3. challenges and risks associated with implementing operational improvement initiatives and strategic actions in the ongoing business operations, including those related to: (i) offering products that meet emerging market needs, (ii) strengthening underwriting and pricing effectiveness, (iii) strengthening medical cost and medical membership results, (iv) delivering quality member and provider service using effective technology solutions, (v) lowering administrative costs, and (vi) transitioning to an integrated operating company model, including operating efficiencies related to the transition;
4. risks associated with pending and potential state and federal class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company’s businesses, government investigations and proceedings, and tax audits;
5. heightened competition, particularly price competition, which could reduce product margins and constrain growth in the Company’s businesses, primarily the health care business;
6. risks associated with the Company’s mail order pharmacy business which, among other things, includes any potential operational deficiencies or service issues as well as loss or suspension of state pharmacy licenses;
7. significant changes in interest rates for a sustained period of time;
8. downgrades in the financial strength ratings of the Company’s insurance subsidiaries, which could, among other things, adversely affect new sales and retention of current business;
9. limitations on the ability of the Company’s insurance subsidiaries to dividend capital to the parent company as a result of downgrades in the subsidiaries’ financial strength ratings, changes in statutory reserve or capital requirements or other financial constraints;
10. inability of the program adopted by the Company to substantially reduce equity market risks for reinsurance contracts that guarantee minimum death benefits under certain variable annuities (including possible market difficulties in entering into appropriate futures contracts and in matching such contracts to the underlying equity risk);
11. adjustments to the reserve assumptions (including lapse, partial surrender, mortality, interest rates and volatility) used in estimating the Company’s liabilities for reinsurance contracts covering guaranteed minimum death benefits under certain variable annuities;
12. adjustments to the assumptions (including annuity election rates and amounts collectible from reinsurers) used in estimating the Company’s assets and liabilities for guaranteed minimum income

- benefits under certain variable annuities;
13. significant stock market declines, which could, among other things, result in increased expenses for guaranteed minimum income benefit contracts, guaranteed minimum death benefit contracts and pension expenses for the Company's pension plan in future periods as well as the recognition of additional pension obligations;
 14. unfavorable claims experience related to workers' compensation and personal accident exposures of the run-off reinsurance business, including losses attributable to the inability to recover claims from retrocessionaires;
 15. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the Company's operations, investments, liquidity and access to capital markets;
 16. significant deterioration in economic conditions and significant market volatility, which could have an adverse effect on the businesses of our customers (including the amount and type of healthcare services provided to their workforce and our customers' ability to pay receivables) and our vendors (including their ability to provide services);
 17. changes in public policy and in the political environment, which could affect state and federal law, including legislative and regulatory proposals related to health care issues, which could increase cost and affect the market for the Company's health care products and services; and amendments to income tax laws, which could affect the taxation of employer provided benefits, and pension legislation, which could increase pension cost;
 18. potential public health epidemics and bio-terrorist activity, which could, among other things, cause the Company's covered medical and disability expenses, pharmacy costs and mortality experience to rise significantly, and cause operational disruption, depending on the severity of the event and number of individuals affected;
 19. risks associated with security or interruption of information systems, which could, among other things, cause operational disruption;
 20. challenges and risks associated with the successful management of the Company's outsourcing projects or key vendors, including the agreement with IBM for provision of technology infrastructure and related services;
 21. the ability to successfully integrate and operate the businesses acquired from Great-West by, among other things, renewing insurance and administrative services contracts on competitive terms, retaining and growing membership, realizing revenue, expense and other synergies, successfully leveraging the information technology platform of the acquired businesses, and retaining key personnel; and
 22. the ability of the Company to execute its growth plans by successfully managing Great-West Healthcare's outsourcing projects and leveraging the Company's capabilities and those of the business acquired from Great-West to further enhance the combined organization's network access position, underwriting effectiveness, delivery of quality member and provider service, and increased penetration of its membership base with differentiated product offerings.

This list of important factors is not intended to be exhaustive. Other sections of the Company's most recent Annual Report on Form 10-K, including the "Risk Factors" section, the quarterly reports on Form 10-Q for the quarter ended March 31, 2008, June 30, 2008 and September 30, 2008 and other documents filed with the Securities and Exchange Commission include both expanded discussion of these factors and additional risk factors and uncertainties that could preclude the Company from realizing the forward-looking statements. The Company does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Ted Detrick (Vice President, Investor Relations):

Good morning, everyone, and thank you for joining today's call. I am Ted Detrick, Vice President of Investor Relations. With me this morning are: Ed Hanway, CIGNA's Chairman and CEO; David Cordani, President and Chief Operating Officer; and Mike Bell, CIGNA's Chief Financial Officer.

In our remarks today, Ed will begin by briefly commenting on CIGNA's 2008 results and 2009 outlook. David will provide his perspective on the outlook for CIGNA's ongoing business. He will also discuss our medical membership results and outlook and provide a current assessment of the health care marketplace. Mike will then review the financial details for 2008 and provide the specifics for the 2009 financial outlook. Ed will make some concluding remarks, and then we will open the lines for your questions.

As noted in our earnings release, CIGNA uses certain financial measures which are not determined in accordance with generally accepted accounting principles, or GAAP, when describing its financial results. Specifically, we use the term labeled "adjusted income from operations" as the principal measure of performance for CIGNA and our operating segments. Adjusted income from operations is defined as income from continuing operations, excluding realized investment results, special items, and the results of our Guaranteed Minimum Income Benefits business.

A reconciliation of adjusted income from operations to income from continuing operations, which is the most directly comparable GAAP measure, is contained in today's earnings release, which was filed this morning on Form 8-K with the Securities and Exchange Commission and 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. Those risk factors are discussed in today's earnings release.

Before I turn the call over to Ed, I will cover a few items pertaining to our fourth quarter and full year 2008 results and disclosures. Our fourth quarter results included an after-tax charge of \$35 million related to CIGNA's cost reduction initiative. This charge is reported as a special item and therefore is excluded from adjusted income from operations in today's discussion of our 2008 results.

As a reminder, in an effort to improve the quality and transparency regarding our investment asset disclosures, we have again provided this quarter additional information about our bond and commercial mortgage portfolios in the quarterly statistical supplement, which is posted in the Investor Relations section of CIGNA.com.

Now regarding our Run-off operations, I would note that CIGNA's 2008 net income included after-tax losses of \$437 million, or \$1.58 per share, related to the Guaranteed Minimum Income Benefits business, otherwise known as GMIB. Remember that CIGNA adopted Financial Accounting Standard No. 157 in the first quarter of 2008, which impacts the measurement of fair value for the assets and liabilities of our GMIB business. I would also remind you that the impact of Statement 157 reporting for our GMIB results is for GAAP accounting purposes only.

We believe that the implementation and prospective application of this Statement would not represent management's expectations of the ultimate payout. Instead, management believes that a more relevant measure of GMIB results is its impact on statutory capital. In a few moments, Mike Bell will provide an update on our capital management outlook, which will include the impact of losses in our Run-off Reinsurance businesses, including GMIB.

Because of Statement 157, CIGNA's future results for the GMIB business will become more volatile as any future change in the exit value of GMIB's assets and liabilities will be reported in net income.

CIGNA's 2009 earnings outlook, which Mike will discuss in a few moments, excludes the results of the GMI B business and therefore any potential volatility related to the prospective application of Statement 157.

And with that, I will turn it over to Ed.

Ed Hanway (Chairman and CEO):

Thanks, Ted. Good morning, everyone.

Full year 2008 adjusted income from operations was \$946 million, or \$3.42 per share. This included losses of \$0.96 per share from the run-off VADBe operations, driven primarily by unfavorable equity market performance. In 2008, our ongoing businesses, that is, our Health Care, Group Disability and Life and International operations each posted year-over-year earnings growth despite a difficult economic environment.

In regards to Health Care, 2008 was a year of mixed results. In 2008, we closed the Great-West transaction and continue to be very excited about this acquisition as we expect it to support future profitable growth, particularly by accelerating our expansion in the select market segment, which we define as employers between 51 and 250 members.

Our ASO business posted attractive year-over-year earnings growth, driven by strong results in our specialty programs, which are a key to our value proposition. On the other hand, our guaranteed cost and experience-rated earnings were below our expectations. Our medical membership declined in 2008 due to the competitive pricing environment coupled with rising unemployment levels.

Our Group Disability and Life business grew earnings by 11% in 2008, and our International operations had double-digit earnings growth on a local currency basis. These results reflect another year of competitively strong top-line growth and profit margins in these businesses.

While our ongoing businesses had solid earnings, our Run-off Reinsurance results were adversely impacted by the capital market turmoil. While disappointing, these results were manageable from a capital perspective and, at year end, our operating subsidiaries were capitalized well in excess of regulatory minimums.

Very importantly, our investment portfolio performed well in 2008 and produced competitively strong returns despite challenging market conditions. We believe that this is a direct result of maintaining our investment discipline.

In summary, 2008 was a challenging year, and our results reinforce the importance of our diversified portfolio of ongoing businesses, particularly during periods of challenge in the health care sector.

Regarding our 2009 outlook, we now expect our full year 2009 earnings per share estimate to be in a range of \$3.95 to \$4.25 per share, excluding any provision for future VADBe losses. This outlook represents EPS growth in a range of 15% to 24%. This outlook is modestly lower than our previous guidance, primarily due to tightening of the Health Care outlook range.

You should know that I'm not satisfied with this earnings per share forecast. We are all keenly focused on ways to improve it, with a special emphasis on improving our operating expenses.

While our comprehensive review of operating expenses completed during the fourth quarter will yield meaningful expense savings, we are not finished with our expense review work. Our ongoing cost reduction efforts are designed to identify further efficiency gains and may result in an additional cost reduction related charge in 2009. Our 2009 outlook does not include this potential charge.

With the economic outlook deteriorating further since our last update, we now expect medical membership to decline in 2009, by approximately 3%. We now expect 2009 Health Care earnings to be in a range of \$700 million to \$760 million, as we leverage the capabilities brought to us by the Great-West acquisition and realize the benefits of our cost reduction initiatives.

For 2009, we expect continued good earnings and strong margins in both our Group Disability and Life and International businesses. Overall in 2009, despite the difficult economic times, we expect to succeed in the marketplace through our competitive strengths and capabilities. We remain committed to achieving our financial and operational goals for the benefits of our customers and shareholders.

Now I'm going to turn it over to David, who will cover a number of topics, including a more detailed review of the 2009 outlook for our ongoing business.

David Cordani (President and Chief Operating Officer):

Thanks Ed, and good morning, everyone.

Today I'm going to review some brief highlights of 2008 earnings for our ongoing businesses, provide some perspective on the conditions in the health benefit marketplace and the potential impact of those conditions on our businesses and I'll also share an overview of our 2009 outlook for each of our ongoing businesses. I'll provide some insight into the actions we're taking to further enhance our competitiveness as we continue to build for sustained profitable growth. Finally, I'll provide a brief update on the integration of our Great-West acquisition.

So, let me begin with a brief overview of our 2008 results. Our 2008 results reflect year-over-year earnings growth for each business. It's important to note that the diversification of our business portfolio positions us for ongoing profitable growth even in these challenging times.

For 2008, Health Care earnings increased by 5% over 2007. Our Health Care medical membership increased by approximately 1.6 million members due to the net addition of Great-West members. Overall, our client retention rates were strong; however, we did experience lower new sales in our guaranteed cost and experienced rated books and higher levels of disenrollment in our overall book of business.

Our specialty businesses had another year of strong contributions. Here we also benefited from good retention rates, as well as additional cross-selling success and sales success with new programs. Our comprehensive health service portfolio continues to be a key part of our integrated solution strategy that focuses on improving health, well-being, and sense of security. However, our guaranteed cost results and experience-rated margins did have some pressure for the year. Mike will expand on the drivers a bit later.

Overall, 2008 was a challenging year for the health care industry and for CIGNA. While we are pleased with our service levels, our clinical results, our sustained specialty performance, and our ongoing CDHP results we do recognize the improvement opportunity we have in guaranteed cost and experience-rated earnings as well as in operating expenses.

A little later, I'll highlight the actions we're driving to accelerate our strategy and, as such, further improve our results.

Turning to Group Insurance, we had another strong year, with 11% earnings growth over 2007. We generated good top-line and bottom-line growth, with competitively strong margins. Our disability management value proposition, which focuses on helping people return to work quicker, continues to be well received in the market. We help people recover from disability and get back to work 10% more quickly than the competition. These results are generated by leveraging a deep and diverse cadre of clinical and vocational experts who work to help our customers. I think you will all agree that the ability to improve worker productivity is important, especially in this economy.

Our International business also generated strong results. Excluding the impact of unfavorable foreign currency exchange, we achieved double-digit earnings growth in 2008, including good contributions from our emerging markets. Our International business remains well-positioned for profitable growth in individual markets and in support of the rapidly growing expatriate needs of global employers.

Now let me provide some perspective on the conditions of the health benefits marketplace and the potential impact of those conditions on our businesses.

In a market where corporate profits are challenged, employers increasingly are coping by restructuring or reducing their benefit programs. This shows up in reactive cost shifting or proactive changes that seek to engage employees in health improvement and informed health purchasing. Employers today, more than ever, are looking for solutions to help manage their medical costs.

We're able to meet their needs through our approach of leveraging our knowledge of our employer customers and their employees to drive active participation of individuals in their health improvement, which results in cost savings for the individuals and the company.

Our strong January 1 client retention rates – for example, approaching 90% for our middle market business – are perhaps the best validation that our capabilities and value proposition are resonating well in the marketplace.

I'll now provide an overview of our 2009 outlook for each of our ongoing businesses. By way of backdrop, we do expect that the rising unemployment levels will drive higher disenrollment levels. This will have an adverse impact on our businesses. We also recognize that the pricing environment in our industry remains very competitive, especially in the insured market. In this environment, we will continue to balance pricing discipline with our objective to grow profitably.

Specific to Health Care, we expect our 2009 membership to be down approximately 3%, which includes our view of a continued increase in the level of unemployment. Our outlook includes an increase in disenrollment levels for our book of business of approximately 35% over 2008.

On January 1, our Health Care membership is estimated to be down approximately 2% from year-end 2008, which is in line with our prior expectations. For earnings, we do expect to realize the full year benefit of our Great-West acquisition – ongoing stable earnings from our specialty and experience-rated books – of business. This is offset somewhat by lower guaranteed cost earnings, driven by lower volume and stable margins, and lower ASO earnings, driven largely by operating expenses. Turning to medical costs, we continue to expect aggregate medical cost trend in a range of 7% to 8% for 2009.

Now I'll provide some insights into the actions we're taking to further enhance our market position in Health Care, while we continue to strategically build for sustainable, profitable growth. We expect to further improve our Health Care earnings power by focusing on the following five areas.

First, we are continuing to focus on reducing our operating expense structure. On January 5, we announced the restructuring of our global workforce by approximately 1,100 positions, which is about 4% of our employees, as well as planned consolidation of certain real estate locations. We're also planning to take additional actions during 2009 to further reduce operating expenses and improve our competitive position in the marketplace.

Second, we are intensifying our new product development efforts to stimulate growth for our guaranteed cost and experience-rated books of business. We have recently developed a number of new leaner product offerings for guaranteed cost and experience-rated that we expect will accelerate growth in the second half of 2009.

Third, we're investing in further total medical cost improvements. We expect to drive utilization, both volume and mix of service improvements, by directing members to high quality, efficient providers through our health coaches and through leveraging our cost and quality tools.

Fourth, we're working to identify additional opportunities to further drive the level of specialty cross-selling.

Our fifth priority is market expansion. We remain committed to growing our segments, with particular focus on individual and select segments, who are employers with 51 to 250 employees.

Turning to Group Insurance, we expect to deliver good growth in 2009, largely through strong middle market sales and retention results. In addition, we will continue to build capabilities to capitalize on opportunities in the small business and voluntary benefits market.

We're also investing in additional clinical resources to address the potential impact of the economy on our disability results and in new technology to improve self-service capabilities, which are increasingly required for small and middle market employers.

For our International business, we continue to see very attractive growth opportunities in our Life, Accident and Supplemental Health businesses, especially in Asia. With evolving economic conditions and health trends, our supplemental health and life products continue to be very well-positioned to fill the gaps in coverage that are left by local government health systems. More specifically, we continue to see very good growth in South Korea, which is an important market for us; in China, where our 5-year joint venture with China Merchants Bank just renewed; and in many other emerging markets where we have well-established business operations.

Relative to Expatriate benefits, we anticipate good growth opportunities now and in the foreseeable future as more companies seek to expand and diversify their market positions through global expansion.

For 2009 overall, we expect International earnings to grow double digits, adjusting for currency on a local basis.

Finally, I'll provide a quick update on Great-West. Our integration is proceeding according to plan. We achieved the vast majority of our 2008 objectives with respect to integrating networks, clinical programs and infrastructure transition.

We continue to drive strong progress on total medical cost improvements. Here, we expect to have about two-thirds of the total improvements completed by the end of the first quarter of this year, and well over 90% completed by the end of 2009.

While the challenging economic conditions have slowed earnings trajectory somewhat, we continue to be very excited about the potential for this acquisition to deliver good value for our customers in the small and middle markets.

To wrap up my prepared comments, the diversification of our business portfolio positions us to continue to generate ongoing earnings growth, even in these challenging economic times.

We've delivered these results by maintaining our emphasis on service excellence; our focus on keeping people healthy – which we believe is the only sustainable way to manage rising costs, our balance between pricing discipline and growth; and smart and steady investments in the people and technology we need to operate efficiently and effectively in meeting our customer needs.

Having said that, we are taking the steps necessary to ensure our ongoing competitiveness in a difficult market and to grow the business profitably now and in the future.

At this point, I'll turn the call over to Mike.

Mike Bell (Chief Financial Officer):

Thanks, David. Good morning everyone. In my remarks today I'll review CIGNA's 2008 results. I'll also discuss our outlook for full year 2009.

In my review of consolidated and segment results, I'll comment on adjusted income from operations. This is income from continuing operations, excluding realized investment results, GMIB results, and special items. This is also the basis on which I'll provide our earnings outlook.

Our full year consolidated earnings were \$946 million, or \$3.42 per share, compared to \$1.18 billion, or \$4.08 per share in 2007. Full year results for our three ongoing businesses were higher than 2007, while results for our Run-off Reinsurance business emerged unfavorably in the second half of the year.

Now I'll review each of the segment results beginning with Health Care. Full year 2008 Health Care earnings were \$715 million, which was 5% higher than 2007. Excluding Great-West, Health Care earnings decreased by 4% year-over-year, primarily reflecting the unfavorable impact of the competitive environment and the challenging economy.

The fourth quarter Health Care results were above our most recent estimates, reflecting favorable operating expenses and higher Great-West earnings. Expenses were better largely due to a significant reduction in management incentive compensation as well as other favorable adjustments. Fourth quarter earnings were tempered by lower than expected guaranteed cost and experience-rated results. Specifically, our guaranteed cost MLR came in worse than expected, primarily due to an increase in catastrophic claims. Fourth quarter experience-rated results reflected higher medical costs for deficit accounts.

For full year 2008, Health Care membership, excluding Great-West, was down 1.3% versus year-end 2007 due to lower new sales and a higher level of disenrollment. Year-end 2008 Great-West membership was 1.6 million, which was modestly better than our most recent estimate.

Our full-year guaranteed cost MLR was 84.8%, excluding our voluntary business. And this result was 90 basis points higher than the reported 2007 results, primarily reflecting the unfavorable impact of catastrophic and flu-related claims. As a result of the higher MLR and lower membership, guaranteed cost earnings declined year over year.

Experience-rated earnings, while still our strongest book of business on a per member basis, were also lower year over year due to greater pressure on deficit accounts, in part reflecting economic and competitive market conditions.

For our total book of business, we completed the year with a strong medical cost result with a full year trend of approximately 7%. Within our ASO book, we experienced increased specialty earnings in 2008 and favorable operating expenses.

Great-West contributed \$60 million of after-tax earnings in 2008, excluding the financing costs, which are reported in the Corporate segment. This result was higher than our most recent estimates, partly driven by favorable medical costs and operating expenses. As a reminder, beginning in 2009, we'll no longer report Great-West results separately, as we will view this as an integrated operation embedded within our Health Care results.

Health Care premiums and fees for the year increased 9% versus 2007, primarily due to the acquisition of Great-West. So overall, our full year Health Care earnings were 5% higher than 2007.

Now I'll discuss the results of our other segments. Full year 2008 earnings in the Group Disability and Life segment were \$275 million, an 11% year-over-year increase, including the favorable impact of reserve studies and other adjustments throughout the year. This result was driven by competitively

strong disability management results and strong top-line growth. Premiums and fees increased by 8% year over year and reflect an increase in our market share.

While we experienced an uptick in the disability loss ratio in the fourth quarter, I would note that full year disability results were stronger than our expectations and better than our 2007 results.

In our International business, full year 2008 earnings were \$188 million, an 8% year-over-year increase. This result reflects competitively strong margins and continued growth in the Life, Accident and Health and Expatriate benefits businesses. This full year result also includes an unfavorable \$13 million after-tax impact from foreign currency changes, primarily due to significant currency movement in South Korea, CIGNA's largest non-U.S. market. Excluding this impact, earnings increased by 15% year over year.

The diversification of our earnings streams from our Group and International businesses continues to be an important positive for our consolidated results.

Earnings for our remaining operations, including Run-off Reinsurance, Other Operations, and Corporate, totaled to a loss of \$232 million for the year. This includes an after-tax loss of \$267 million related to our VADBe product. The VADBe loss is primarily market-related, driven by a variety of factors, including the severe turbulence in market returns and increase volatility in the second half of the year.

While the 2008 reported losses in our total Run-off Reinsurance block were disappointing, they are not indicative of our longer-term expectations. In addition, the most relevant impact is on our year-end capital position, which I'll discuss in a few minutes. In summary, we continue to view the 2008 results as manageable from a capital perspective.

I'll now cover our investment portfolio and results. In 2008, our investment portfolio continued to perform well, demonstrating the quality and strength of our investment team and the diversity of our holdings. Our full year net realized investment losses totaled \$110 million after tax, and we view this as a strong outcome given the challenging market conditions. Now I'll provide some key highlights of our investment portfolio.

First, we continue to have no direct exposure to sub-prime, Alt-A loans, credit default swaps or auction rate securities, and we have no material exposure to residential mortgages.

Our current commercial mortgage portfolio of \$3.6 billion is strong, driven by our consistent disciplined approach to investing. Problem loans in this portfolio continue to be minimal. All but one of our loans in this commercial mortgage portfolio are fully performing. We do have one mortgage that is 30 days delinquent. Nevertheless, we believe that the market value of this particular property is greater than our loan value. Overall, our mortgage portfolio continues to be well-diversified by property type, with the highest concentration in office buildings and the lowest concentration in retail properties.

I would also remind you that we match the duration of our assets to the duration of our liabilities. Therefore, the majority of our investments employ multi-year, fixed rate returns. We do not expect the short-term interest rate environment to materially impact our consolidated 2009 net investment income. Overall, we continue to be pleased with our investment management results relative to the current market conditions.

Now I'll discuss CIGNA's capital management position and outlook, including a summary of our subsidiary capital position and our parent company liquidity. Overall, we continue to have a strong balance sheet and good financial flexibility.

Our current subsidiary capital position is strong and well in excess of regulatory minimums. Specifically, we estimate that we ended the year with an RBC ratio of 530% of the authorized control level. We estimate that we ended 2008 with \$3.4 billion of statutory surplus in our domestic subsidiaries. Both the RBC ratio and the overall level of surplus are consistent with our expectations in November, and are far in excess of regulatory minimums.

Also consistent with prior estimates, year-end subsidiary capital was approximately \$350 million below our long-term targets, primarily due to the 2008 Run-off Reinsurance losses. As a result, in 2009, we expect to manage our subsidiary dividends to increase these capital levels. I'll provide further details on our 2009 outlook in a few moments.

Next, I'll review parent company liquidity. We ended 2008 with cash and short-term investments at the parent of approximately \$90 million and commercial paper borrowing of approximately \$300 million. During the fourth quarter of 2008 and into the first quarter of 2009, we continued to have access to the commercial paper markets and have experienced reduced interest rates since year end.

Regarding the outlook for 2009, we began the year with approximately \$90 million in parent company cash. Our current estimate of 2009 earnings would normally generate approximately \$800 million to \$900 million of subsidiary dividends. Since we currently plan to retain more earnings in the subsidiaries to restore capital to our longer-term targets, we currently expect 2009 subsidiary dividends to the parent of approximately \$520 million.

We expect the pension plan funding to result in a net after-tax use of parent company cash of approximately \$130 million. All other sources and uses of cash, other than pension funding requirements, are currently expected to be a net use of approximately \$300 million. This assumes no net change in the company's total debt levels. Assuming credit market conditions are stable, we expect to issue long-term debt to pay off our commercial paper balance.

I would remind you that we do not anticipate having capacity for share repurchase in 2009. As a result, we expect our year-end 2009 parent company cash to be in a range of \$150 million to \$200 million. I'd also remind you that we have no long-term debt refinancings until 2011. To summarize, our current capital outlook is positive.

I'll now review the earnings outlook for full year 2009. For the year, we currently expect consolidated adjusted income from operations of \$1.08 billion to \$1.15 billion, which is modestly lower than our previous estimate. We expect earnings per share to be in a range of \$3.95 to \$4.25 per share, representing growth of 15% to 24% versus 2008. This excludes any provision for future VADBe losses, since we believe our year-end 2008 reserve assumptions are appropriate. While Run-off Reinsurance results can differ materially from our estimates, we do not believe that 2008 results are indicative of a future run rate.

I'll now discuss the components of our 2009 outlook, starting with Health Care. We currently expect full year Health Care earnings in a range of \$700 million to \$760 million, which is lower than our previous estimates. The range has been updated for the current guaranteed cost and experience-rated outlook, coupled with further pressure on membership, reflecting the challenging economy and competitive conditions. This is partially offset by the 2009 favorable impact of expense reductions. We will also continue to review opportunities for additional operating expense reductions throughout the year.

I'll now highlight the drivers of the expected Health Care results. We now expect total medical membership to decline by approximately 3% for full year 2009. Turning to medical trend, we continue to expect trend on our total book of business to be in the range of 7% to 8% in 2009, which would be approximately 50 basis points higher than full year 2008.

Relative to our guaranteed cost book, in addition to a lower expected membership result, we now expect our full year 2009 guaranteed cost MLR to be in a range of 84% to 85%, which is higher than our previous expectations. Within the traditional guaranteed cost book, we expect 2009 earnings to be approximately \$15 million to \$20 million after tax, below our 2008 results, driven by expected membership declines. Offsetting this is an expected earnings increase in the segment expansions, specifically individual, small group, and seniors. We continue to expect this block to be approximately breakeven in 2009, which will represent a \$15 million to \$20 million after-tax improvement relative to 2008. So net/net, we expect these two guaranteed cost areas together to be approximately flat year over year.

Regarding our experience-rated book, we continue to expect approximately flat earnings in 2009, excluding the first quarter 2008 charge related to the non-medical account.

Relative to ASO earnings, our 2009 outlook reflects significant margin expansion on the Great-West stop loss book, partially offset by higher expenses across the entire ASO book of business.

Regarding operating expenses, we expect that the fourth quarter cost reduction charge will result in annualized expense savings of \$110 million pre-tax for the enterprise in total, with the vast majority of the benefit in Health Care. Overall, our updated Health Care outlook for more favorable operating expenses contributes approximately \$35 million after tax in additional earnings in 2009 relative to our earlier estimates. Overall, we now expect 2009 Health Care earnings in a range of \$700 million to \$760 million.

Turning to our non-Health Care segments, in aggregate, our estimates are unchanged from November. We currently expect our 2009 Group Disability and Life earnings to be flat with the 2008 reported result, driven by revenue growth, with some expected downward pressure on margins.

International earnings are expected to grow in the low single digits in 2009, driven by strong revenue growth and margins, largely offset by the expected negative impact of several foreign currency exchange rates, particularly in South Korea.

All in, we expect 2009 consolidated earnings per share to be in a range of \$3.95 to \$4.25 per share. This excludes any provision for future VADBe losses.

To recap, our full year 2008 results for our three ongoing businesses were higher than 2007. Our current capital outlook is strong, and our investment management results continue to be competitively attractive. We expect to achieve year-over-year earnings growth in aggregate in our ongoing businesses in 2009.

And with that, I'll turn it back to Ed.

Ed Hanway (Chairman and CEO):

Thanks, Mike. Before we take your questions, I want to underscore several points.

First, our capital position is strong and we expect to have the financial flexibility to deal with the current challenges in the capital markets. In addition, our investment portfolio is of high quality and is very well managed.

Second, our three ongoing businesses – Health Care, Group Insurance and International – are well-positioned to provide value to customers and investors in these very challenging times. Our products, customer service levels, clinical quality, and consumer engagement and information capabilities are all recognized as competitively strong. Good progress with our Great-West integration also positions us to capitalize on the earnings growth opportunity represented by this important market segment.

Third, we are focused on further reducing our operating expenses. The benefits of the actions from our fourth quarter charge, while meaningful, represent the first step in an ongoing process of operational expense review and reduction.

Finally, we continue to actively participate in the health care reform discussion that we expect will increase in intensity throughout 2009. Our efforts will focus on three key issues of cost, access, and quality and developing market-based solutions that leverage the capabilities of the employer-based system. The prospect for meaningful reform will create both potential challenges and opportunities. Our investments in the select group, individual, and voluntary segments will improve our position in areas which could be favorably impacted by reform. At the same time, our minimal exposure to Medicare will insulate us from an area where margin contraction in the short-term is possible.

Now while the ultimate outcome of reform is difficult to predict, CIGNA and our industry are working hard to position ourselves as a key part of the solution.

In summary, we are committed to growing earnings in 2009 in our ongoing businesses and improving our competitive position, thereby creating value for the benefit of our customers and shareholders. This concludes our prepared remarks, and we, at this time, would be glad to take your questions.

Matthew Borsch (Goldman Sachs):

My first question is on the Health Care business and specifically the pricing environment as you see it across the fully insured book up to the ASO spectrum, and can you give us any sense of how that may have changed incrementally from your view late last year?

David Cordani:

I'll start, and will ask Mike to provide some additional color. First, relative to our January 1 view, we're quite pleased with what we've seen to date in terms of our renewal rate increases for the guaranteed cost and experience-rated books. Second, we continue to see it, as I indicated in my prepared remarks, as a very competitive marketplace. Hence, some great execution is required as well as our ability to continue to provide alternative and lean benefit programs. Overall, we're pleased with the rate execution we've seen, especially with the rate execution and the retention rates we're seeing in our book of business for January 1.

Mike Bell:

The only thing I would add is, obviously, the overall competitive environment coupled with the economic environment is putting downward pressure on our overall membership expectations. But I certainly agree with David's comments. I think our rate execution on the January 1 renewal book and the improved customer retention rates, particularly in the middle market and particularly in the experience-rated book, are powerful positives.

Matthew Borsch:

As you look at the lower end of the market, what are you seeing in terms of enrollment attrition there? And does that play any role in your expectation for a 50 basis point higher trend in 2009 in the sense that there could be some degree of risk pool deterioration or adverse selection going on there?

David Cordani:

First, as I noted, our outlook is for an uptick in unemployment levels, and, therefore, we upped our disenrollment forecast. It is broad based across our portfolio, and we do not have a bias toward the low end of the segment versus the high end of the segment. I would remind you that the under 50 and under 250 segments comprise a very small percentage of our overall 11 plus million members. As of today, we do not see the disenrollment pattern being materially different in these markets. We are keenly aware of your second point. As we noted in 2008, we did see some movement in that. We've made some changes in underwriting and pricing assumptions that correlate to that.

Mike Bell:

Going back to our prepared remarks, we continue to model a 50 basis point higher medical cost trend for 2009 as compared to full year 2008. Embedded in that is essentially 50 basis points – for lack of a better term – “plug” for the combination of the economic pressures potentially, at some point, increasing utilization. If people are concerned about losing their jobs, there's a greater propensity to consume medical costs, and also the impact, as David noted, around disenrollment and that tending to lead to an older demographic of employees and dependents. Now, again, I would not characterize this as a sea change, but that was part of our reasoning around the modeling of a higher medical cost trend in 2009.

Josh Raskin (Barclays Capital):

First question, just on the experience-rated accounts, you mentioned that there was some pressure on the deficit accounts. And I was just curious, did you see any lapses at the end of last year on those accounts that were running deficits? And maybe if you could characterize the pricing on those accounts as you came into 2009?

Mike Bell:

Overall, your comments are in line with our actual results. We did see higher medical cost trend in deficit cases. In particular, there was one case that left us in fourth quarter that had cost us approximately \$10 million after tax in 2008. And, obviously, I would not expect that case to have any impact on our results in 2009, since it is gone.

In general, the persistency has been reasonable if you exclude the case that left and has been reasonably consistent throughout 2008 for the deficit cases. In our current outlook here for 1/1/09, persistency for deficit cases has modestly improved, but there is no material change.

Josh Raskin:

Ok, switching topics to capital. You've got \$2 billion of long-term debt that is not due till 2011. I was wondering, are there any covenants in there or anything related to a debt to cap or anything around your shareholders' equity? And there was a \$1 billion reduction in the fourth quarter due to the losses that were not unexpected. I'm just curious if there are any provisions in the debt right now that would force you to do any sort of short-term repayment or anything like that?

Mike Bell:

The short answer is no. There are no significant covenants in the long-term debt around what you're asking about. It is fair to remind you that we do have, in our secured \$1.75 billion of credit bank lines, a 40% debt to cap covenant that would obviously limit, in today's environment, to around \$1 billion of how much combination of commercial paper and bank credit lines we could have outstanding at any point in time. This is not relevant to our existing long-term debt.

Josh Raskin:

Ok, and you only have \$300 million commercial paper issued right now anyway, right?

Mike Bell:

That's correct, Josh.

John Rex (JP Morgan):

Yes, I was wondering if you could talk to us first about what kind of pricing yields you're expecting on your guaranteed cost business for 2009, and give us a little more color on what drives the extra 100 basis points of medical loss ratio deterioration versus what you were expecting prior?

Mike Bell:

In terms of our overall expectations for 2009, we expect to secure renewal pricing yields approximately 50 basis points higher than the underlying medical cost trend. And I'm talking about the existing book, excluding the segment expansions. So we would expect, on this basis, low to mid eights in terms of premium yields for 2009.

In terms of your question on why the deterioration in the medical loss ratio versus what we had previously estimated, basically, it is mainly due to the deterioration we saw in the fourth quarter. We saw a higher level of catastrophic claims in fourth quarter. We saw some unfavorable development related to catastrophic claims from earlier in the year. Essentially, what we're now assuming for 2009 is that the same catastrophic activity level we saw in 2008 will repeat in 2009. So we're assuming no improvement in 2009 for catastrophic claims activity. As a result of all these factors, the 2009 MLR outlook is approximately 100 basis points higher than what we had previously estimated.

John Rex:

It would indicate that when you include the higher catastrophic claim activity your expectation is your pricing yields will trail your all in cost trend, is that correct?

Mike Bell:

John, that is not correct. I meant what I said earlier. I expect that the renewal pricing yields will exceed year-over-year trend, 2008 to 2009. The main point here is that the 2008 starting point is now likely to be higher based on our assumption that the catastrophic claim activity we saw in 2008 will not improve in 2009.

David Cordani:

John, as Mike said, we've assumed the same level of catastrophic claims in 2009 as 2008. We've historically not seen this, but because we saw it throughout several quarters in 2008, until we're able to remediate this, we're going to make the assumption of MLR erosion. Each quarter we'll update you in terms of our ability to mitigate this further.

John Rex:

I want to make sure I understand. So are catastrophic claims excluded or included in the cost trend outlook you have for 2009?

Mike Bell:

John, catastrophic claims are included in the trend outlook, but the point is that that trend is being calculated off of a 2008 starting point that's now higher than what we had estimated 90 days ago.

John Rex:

Ok, maybe just a little more color on what you think is going on with the catastrophic claims?

Mike Bell:

Well, you're obviously asking me to hypothesize here, and I would not over weight any particular quarter. But I do think it's fair to say that this could be a combination of bad luck. It could be a combination of potentially some adverse selection, particularly in the small group markets that we've been slowly dwindling our membership in. And I think it may also be a combination of disenrollment and just the phenomenon of an older demographic that we referenced earlier.

David Cordani:

I would just add to Mike's point, in terms of his second point, in 2008 we were essentially actively decreasing our posture in several markets, particularly the under 50 book of business. You could use the term purge if you'd like. You could also use the term hard harvest or soft exits.

When you execute that strategy, the risk goes up of seeing catastrophic claims. Again, as we go into 2009 in a bit more steady state, we'd like to think that the results will normalize. But, as Mike said, we're going to project that catastrophic claims are in there until we see evidence that they're not in there.

John Rex:

Ok, and could you just run down for us what you think about your overall 3% decline in enrollment? Can you give us by major category, so Guaranteed Cost and Great-West and the major category of what you expect in those books?

Mike Bell:

First, we're currently modeling a 10% overall decline in the guaranteed cost book. Now that's actually 12%, excluding the segment expansions. So excluding the individual and the under 50 rollout in specific geographies, it would be down 12%. We expect experience-rated membership to be down 7% versus year-end 2008. We expect the Great-West membership to be down 13%. Although I would emphasize that since we've more and more scrambled the eggs here with Great-West that it is going to be a hard number to specifically track here in 2009 since Great-West results will be embedded in the overall results.

Excluding Great-West, we would expect the Administrative Services Only (ASO) membership to be approximately flat.

Justin Lake (UBS):

A couple questions. First, on the membership side, could you spike out what the impact of the 1% decline in membership actually had on the operating profit forecast for Health Care, so we can get some of sensitivity to the potential for further declines?

Mike Bell:

The combination of the lower guaranteed cost membership expectations and the lower ASO membership expectations for 2009 together would be worth approximately \$15 million after tax. Now there are obviously other moving parts in terms of our 2009 estimates, but isolating on that it would be \$15 million after tax.

Justin Lake:

And that includes the flow-through to the specialty businesses and the add-on and things like that?

Mike Bell:

That's correct.

Justin Lake:

As we think about 2009, is that a reasonable sensitivity toggle, for every 1% decline in membership you would get about a \$15 million hit?

Mike Bell:

Not particularly, Justin, because it will depend very much upon which book of business is specifically impacted. So it would be very different, for example, if you reduced our guaranteed cost, excluding segment expansions, membership expectations further, then we would have more of an impact than, for example, if you down drafted the ASO book.

David Cordani:

To add to Mike's point, I think there are two critical pieces for the sensitivity – Mike's point, relative to funding mechanism, and second is retention versus new sales. Our view of 1/1 is that we had a strong retention result for the overall portfolio. We expect to have good retention results, which we'll speak to each quarter with you. In addition to the funding mechanism, this is a critical driver.

Justin Lake:

That's helpful, just a question on the capital side. It sounds like you've laid out your sources and uses pretty well here and you're going to end up with \$150 to \$200 million by the end of the year. I know your guidance doesn't include any further significant VADBe realized losses. To the extent you have them, what is your ability to offset that via moving some of the other cash flow uses out. Obviously the big question is that could there possibly be a need for a capital raise?

Mike Bell:

Sure, Justin, I understand your question. First, in terms of any potential VADBe losses, I wouldn't necessarily draw the conclusion that every dollar of potential VADBe loss in 2009 would negatively impact subsidiary dividends. We have several options to deal with that kind of situation.

One would be, of course, not to achieve precisely the year-end 2009 long-term target that we have for our subsidiaries, specifically CG Life. I think if we were a little bit short there in 2009 but with a strong commitment to make up that difference in 2010, it is always dangerous to speak for the rating agencies, but I believe that they would find that a tolerable scenario as long as it was a manageable amount.

In terms of other options, it's really the same list that we went through at the Investor Day. Obviously, at this point, long-term debt markets are in better shape than where they were during the dark days of October. So that is certainly an option. We obviously have commercial paper and bank credit lines, as

we talked about to Josh's question earlier, so that gives us a significant amount of capacity. I also believe we can wait in terms of strengthening the parent cash until 2010 as well.

I think the most important point is that, under current conditions, we have absolutely no plans to issue equity. There would be a lot of other options that we would look at first.

Greg Nersessian (Credit Suisse):

First question was on the experience-rated book. I was wondering if you could just sort of dig into the moving pieces there a little bit. I think you mentioned flat earnings next year. You're losing the one account. I think you said you had a loss of \$10 million on it, and you have the negative impact from the lower enrollment. Any other moving pieces within that, in other words, is the makeup primarily the recovery from accounts in deficit?

Mike Bell:

I think that's a fair conclusion. The way I would think about it is that we do expect membership to be down 7% for the full year. It's somewhat higher than that on a member month basis, but 7% on a full year basis. And that's approximately offsetting a \$10 million after-tax margin expansion that we have planned for 2009.

In fairness, in any given year, there tend to be accounts that have bad experience. I'm not sure I'd necessarily tag it just to that. We have built in a \$10 million after-tax margin expansion. The combination of losing that account and the fact that we estimate that for 1/1/09 we did secure renewal rate increases that were somewhat in excess of trend along with persistency in the mid 80s, we feel like we're well positioned for year-over-year flat earnings, which implicitly assumes some margin expansion.

Greg Nersessian:

Was that higher incidence of catastrophic claims only applicable to guaranteed cost, or was there some of that in experience-rated as well?

Mike Bell:

Yes, ironically, Greg, the stop loss results for the experience-rated book ran well this year. In fact, the catastrophic claim issue was a disproportionate impact for the guaranteed cost book really throughout the year.

Greg Nersessian:

And then if I could squeeze one more in, could you update us on your pension funding status as of the end of the year? To the extent that you have cash flow coming in perhaps better than expected, can we expect that you would fund the pension plan in excess of that \$130 million, or is that a hard target for the year?

Mike Bell:

Greg, a couple of things in terms of the funding status. It has not changed materially from the numbers that we had talked about at Investor Day. We did benefit from two specific actions. First, we benefited from the legislative relief that we received here along with other companies for year-end 2008. The legislative relief for us reduced our needed contribution in 2009 by allowing some smoothing of investment losses over a longer period of time. In addition, we split the plan at year-end 2008, which also gave us some benefits. So the bottom line is that we'll need to make a funding decision by mid-March. At this point, we expect a full year parent company cash contribution of \$130 million after tax and that the funding decision would be made in mid-March.

In terms of your other question on would we make other contributions throughout the year, I think it's a little too early to try to speculate on that at this point. So I think at this point \$130 million after tax is really a best estimate.

Ana Gupte (Sanford Bernstein):

Can you comment on your routine claims experience aside from the catastrophic experience? Some of the shorter claim cycle drivers are like outpatient physician going from the third quarter into fourth quarter. Are you seeing any changes with the economy? I think you had guided up quite significantly on the pharmacy trend for next year. And then the second question was, how are you doing on your hospital contracting renewals in the economy?

Mike Bell:

I'll start, and I'll ask David if he wants to add. The short answer is we did not see a material change in medical cost trend in fourth quarter versus what we had seen earlier in the year. Now remember that fourth quarter is still relatively immature at this point. So you know we'll have additional information in first quarter of 2009. But to date, there is nothing that would suggest in the second half of 2008 that we saw a materially different trend level versus the first half. Again, the main outlier, as I've referenced now a couple of times, is the higher level of catastrophic claims for the guaranteed cost book. But I see no evidence that that is showing up as trend acceleration for the ASO or experience-rated books.

As it relates to 2009, we have not materially changed our trend outlook for 2009 by category. So we continue to expect high-single digit medical cost trend in both inpatient and outpatient, professional in the mid-single digit range, and then mid- to high-single digit for pharmacy, again, which I would not characterize as being a sea change from the mid-single digit pharmacy experience we saw here in 2008.

On the hospital side, again, no material change from what we've talked about previously. As David mentioned, the Great-West network re-contracting has been our highest priority in the recent past and that continues to trend really right on track.

David Cordani:

Two things: one, to close up on Mike's comment relative to the pharmacy trend, maybe from prior conversations you might have picked up the note of a couple points there as you referenced. The only item I would just flag in there for you is that we had tremendous up tick in generic utilization rate in 2008. That utilization rate stays in 2009, but the rate of change is not as significant as it was from 2007 to 2008. That would be the primary item to point to. But the overall pharmacy cost profile and trend is still quite attractive.

On hospital, I would note a few things. First, overall, I would say even in this environment the Great-West/CIGNA alignment is proceeding well, and to Mike's point, we're real pleased. We're also real pleased with the work of the team and the alignment with the provider network. Secondly, very importantly, our service proposition to the hospitals and the provider communities continues to perform well, whether it's off the Great-West claim platform or the CIGNA claim platform.

And finally, as Mike referenced in his prior comments, if we've seen any movement at all in terms of unit cost, there's a slight uptick in our expectations overall in the facility unit trend. But I would say it's in the slight category. So overall, hospital contracting, the Great-West alignment as well as our continued service proposition to the hospitals are performing well.

Charles Boorady (Citigroup):

On the experience-rated business, how much of the 7% decline that you expect for the year already occurred effective Jan 2009? And what was approximately the loss ratio of the business retained versus the business lost?

Mike Bell:

On your first question, we estimate that our experience-rated membership will drop by 4% for first quarter of 2009. In the particular question of the loss ratio of the renewing accounts versus the lapsing accounts, I don't have that specific number committed to memory here for the experience-rated book. What I can tell you is that our estimate is that the persistency on the deficit accounts for first quarter of 2009 is approximately 69% as compared to the mid-80s overall. So again, you could conclude that because they

were in a deficit they would have had a higher MLR. As a result, I would wager that the loss ratio is higher on the lapsing accounts than the renewing accounts.

David Cordani:

Just two other points of color. First, about 70% or so retention rate on deficit accounts is not unusual. You should expect that. If we're going to generate something in the 80s you should expect, generally speaking, margin accounts to be well greater than that and deficit accounts to be less than that because margin accounts, by their very definition, are building up some revenue offsets for future renewals.

And secondly, as Mike mentioned previously, just to tie back in, relative to the rate execution, you'd expect us to realize on any given renewal cycle rate execution higher on deficit cases versus surplus cases. And that is, indeed, what transpired on January 1.

Charles Boorady:

And my second question, on the commercial real estate portfolio valuation, the footnote mentioned you relied on the most current full year. Was that 2007? Or was that based on 2008 results? And what key assumption changes did you make in valuing the commercial real estate in terms of cap rate or other key factors?

Mike Bell:

The footnote that we have in the supplement references the very detailed review of the portfolio that our investment organization goes through every year. That was completed in third quarter of 2008. And so, literally, those loan to value calculations are made as of third quarter 2008 using the best information that we have.

Now specifically in terms of audited financial statements, normally that would be for the prior calendar year, so it would be based on audited financial statements from 2007 but then updated for what else we know about the particular market conditions, the attractiveness of that property, what the vacancy rates are, etc... I don't know off the top of my head the change in the cap rate assumption. That is certainly something you could follow up with Ted afterwards.

Scott Fidel (Deutsche Bank):

First question, just if you can update us on some of the assumptions that you're assuming for VADBe business to break even in terms of level of S&P and what interest rates and market volatility are built into that assumption?

Mike Bell:

In terms of the 2009 expectations, I'd first emphasize that there are a lot of unpredictable factors here that can cause actual results to differ materially from any number that we would put out on the table. The most important couple of points I was making in the comment that we have zero built in for 2009, is that we believe our reserve assumptions here at year-end 2008 are in fact appropriate. Again, the reserve assumptions have been based on historical averages and while they bounce around quarter to quarter for any particular year, we continue to believe those long-term assumptions are appropriate. Second, we don't believe that the September and October severe turbulence that we saw is somehow indicative of the new run rate going forward. Those are the most important comments that I would make.

In terms of your question around S&P and volatility-related impacts, the rule of thumb that I personally use that maybe you'll find helpful here is that a 10% drop in equity markets is typically worth \$20 million to \$30 million after tax based on the direct impact on our reserves for future partial surrenders. So if you have a 10% drop in the equity markets, all things equal, we would increase the reserve for future partial surrenders by approximately \$20 million to \$30 million after-tax.

Now, other items, like volatility related impacts or interest rate changes, etc., are much more difficult to get a good rule of thumb for because they tend to bounce all over the place. Over a long period of time they've been unbiased, meaning they've averaged close to zero, but they can certainly bounce around in the short term.

The other data point that I can give you here is that, in January 2009, we estimate that with a S&P 500 drop of 8.5%, the rule of thumb that I gave you a minute ago, you would say that would be worth approximately \$25 million after tax, plus anything you want to build in for volatility related impacts or interest rates. Now, we did a run of the reserves on January 31 and concluded that if the quarter had ended that day, then we would have had a \$30 million after-tax loss, and so what that tells us is that if it's roughly \$25 million after tax for the drop in the stock market, then each of the other items would be in the single-digit millions category in terms of changes. Again, this gives me some comfort that in fact the September and October severe turbulence that we saw is not the new run rate, at least thus far in 2009. So, unpredictable, but hopefully these stats are at least helpful for you.

Scott Fidel:

That's very helpful. And then if I could ask a follow-up on the new commercial product launches and if you could just give us an update on the small group and individual expansions, how initial enrollment for 2009 is tracking in those and maybe your updated membership targets, if there's any change from the Investor Day around those two expansions?

David Cordani:

So broadly speaking, we are on target for the early launches. As you'll recall, they started in the fourth quarter of 2008. If anything has changed directionally, we expect to be a bit more intense relative to the individual activities. We are still focusing on under 50, but the individual activities, that's partially driven by local competitive dynamics, as well as increasing state regulatory changes that affect the under 50 marketplace. To date, it's quite early to measure success overall, so I'll give you a little color.

Our broker activity, as we launch in markets, a couple markets per quarter, continues to be extremely positive. The volume and the energy levels are quite high. The early sales success we've generated through the last two months of 2008 and early January is quite attractive for the individual block of business and in the few markets we are focusing on under 50. Overall, the membership outlook for 2009, for the full year has a little tempering, primarily for the under 50 book of business, not the individual book of business right now, and we continue to be excited and optimistic on the outlook here.

Peter Costa (FTN Equity Capital Markets):

I beat this issue too hard, but just back to the medical cost issue again, just to be clear, you're talking about a catastrophic thing that could be either sort of one-time anomalies or some adverse selection as a result of the soft exits, which are theoretically slowing, yet you continue to project that out into next year? Is there something else causing you to be overly conservative in terms of that MLR for next year? I mean, presumably, some of this is prior period development, so did you see other stuff that was in the fourth quarter that suggested that it's going to continue?

David Cordani:

I'll start, and ask Mike to add to it. First, if you look at 2008 for the overall book of business, our overall medical trend, which I'm going to point out was at the midpoint. This was at the low end of the industry range and came in strong for the year, which meant our ASO book of business performed very well, and overall, even with the bouncing around in the experience-rated book of business, our overall portfolio performed well.

Looking into 2009, our overall trend projection is in the 7% to 8% range, and we feel quite good about that outlook right now. Back to the guaranteed cost, it is a small book of business and, as we indicated, we saw a significant number of catastrophic events. As Mike pointed out, we didn't see the same pattern in experience-rated, or in the larger scale ASO book of business.

At this point in time, given that we've seen those catastrophic claims for several quarters, we felt as though it was prudent to project that forward. Again, until we see the level of catastrophic claims – which we would expect to see abate – step down, we're not going to project that step down.

Mike Bell:

I agree with David's comments, Peter, just to add a couple of other things. A couple of other things that are going through our heads here, one is that we believe that the economic conditions as well as the competitive pressures potentially impact the guaranteed cost book more heavily than, for example, the ASO book. And so you couple that with David's accurate comment that while catastrophic claims bounce around, we certainly had enough of these bounce against us in 2008 that it did not seem prudent to us to basically say that was just bad luck and we're going to count on trend somehow being lower for the guaranteed cost book in 2009 than what we're expecting for the overall book. So from that perspective we viewed it as a prudent outlook.

The only other comment I would make is that we are being very thoughtful of how we manage the guaranteed cost book in 2009. Specifically, we're focused on optimizing the results for the renewal book. That means really being very thoughtful and having very targeted strategies in each of the local markets and in many cases a different approach for the under 50 business versus the over 50 business.

Peter Costa:

Just the one mortgage that's not performing, what's the amount of that loan? Is that the same \$59 million that moved into the 90% to 99% loan to value ratio?

Mike Bell:

You have an excellent memory. It is \$59 million.

Carl McDonald (Oppenheimer):

Thanks. I just wanted to get an update on the expectation for the Great-West earnings in 2009. Is that still \$140 million to \$160 million? Or should we assume that's a touch higher now?

Mike Bell:

Regarding Great-West, before I comment on your specific question, I cannot emphasize enough that this is really a scrambled egg situation here. It's going to be impossible to track with precision these results here for 2009. I think it is fair to say that the most important levers are on track for us for 2009 as we had talked about previously. Specifically, we expect to improve the MLR. We continue to expect the MLR in 2009 on the stop loss book to be in the mid 70s. So we continue to expect significant earnings there. We continue to expect good operating expense improvement as we capture synergies through the integration work.

The only piece that's a little bit softer than what we had talked about previously is membership. As I discussed earlier, we now expect that membership will be down approximately 13% for the full year or 14% on a member month basis. So while we are not able to do detailed accounting, I think it's fair to say that we're likely to be within that range. But again, very importantly, the scrambled eggs issue will make it impossible to track that next year. David, would you like to add?

David Cordani:

Just a couple of things to highlight. First, as we said several times, we feel quite good about this acquisition's capabilities, and I would give compliments to the team working on the integration activities to date.

A couple of things on the P&L, we flagged this before as well. The facts show that the medical cost improvements have been quite strong and actually slightly accelerated from our timeline in 2008, and we saw the contribution of that. We see a little bit of the acceleration of the realization of that, and Mike pointed it out on the MLR. Finally, just to remind you in my prepared remarks, we expect to have about two-thirds of that total medical cost improvement in hand in the first quarter of this year and then greater than 90% in hand by the end of 2009. So, again, in line with our expectations overall.

Carl McDonald:

Ok. Then just to focus on the HMO risk piece within guaranteed cost. So enrollment there down about 38% in 2008. Can you just walk through some of the factors there? Is there any amount of switching

from the HMO into the POS and PPO? Or is it just the competitive pricing and some of the reductions in the smaller market you referenced?

Mike Bell:

Primarily the former. We've seen over the last several years a significant shift in the market interest from the traditional HMO products into these open access kinds of plans, and that continued into 2008. As we talked about consistently over the last couple of years, I really would suggest that you look at the guaranteed cost block as an overall block and not get hung up in the HMO versus open access split.

Michael Baker (Raymond James):

I was wondering if you could give us a sense within the in-group attrition what percentage of those people are opting for COBRA and then give us a sense of how those MLRs are tracking?

David Cordani:

Unfortunately, I don't have those data points at hand. I'd expect you'd see a slight uptick there. I do not expect a sea change in the overall COBRA uptick as I look at our individual business, which is where COBRA rolls up.

Michael Baker:

Can you give us a sense in terms of your membership assumption of down 3%, how much of that is attrition related?

David Cordani:

The attrition shows up in two ways. We talk about it in disenrollment, so that's in group disenrollment. As we talked about it throughout 2008, it also shows up in less yield when you sell a new piece of business in terms of less employees. Broadly speaking, our view of the 2009 outlook is that unemployment levels will move from approximately 7% where we are today and grade towards a 9% unemployment level. Going back to our prepared remarks, I indicated that we increased our disenrollment assumptions year over year by about 35%. So broadly speaking, you should conclude that our prior view of minus two percent moving to minus three percent is essentially all driven by the disenrollment activities. That should be your conclusion.

END