UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

for the transition period from ______to _____

Commission file number 1-08323

Cigna Corporation

(Exact name of registrant as specified in its charter)

Delaware	**06-1059331**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
900 Cottage Grove Road Bloomfield, Connecticut	**06002**
(Address of principal executive offices)	*(Zip Code)*

(860) 226-6000
Registrant's telephone number, including area code
(860) 226-6741
Registrant's facsimile number, including area code
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark	YES	NO
• whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	☑	☐
• whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	☑	☐
• whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.		
Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☐		
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	☐	☑

As of April 15, 2013, 285,322,450 shares of the issuer's common stock were outstanding.

Cigna Corporation

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As used herein, “Cigna” or the “Company” refers to one or more of Cigna Corporation and its consolidated subsidiaries.

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

Cigna Corporation
Consolidated Statements of Income

(In millions, except per share amounts)	Unaudited Three Months Ended March 31, 2013	2012
Revenues		
Premiums and fees	$ 7,314	$ 6,107
Net investment income	287	288
Mail order pharmacy revenues	425	386
Other revenues	18	(40)
Realized investment gains (losses):		
Other-than-temporary impairments on fixed maturities, net	-	(3)
Other realized investment gains	139	16
Total realized investment gains	139	13
Total revenues	**8,183**	**6,754**
Benefits and Expenses		
Global Health Care medical claims expense	4,047	3,316
Other benefit expenses	1,862	825
Mail order pharmacy cost of goods sold	344	321
GMIB fair value (gain)	-	(67)
Other operating expenses	1,856	1,807
Total benefits and expenses	**8,109**	**6,202**
Income before Income Taxes	**74**	**552**
Income taxes (benefits):		
Current	(101)	135
Deferred	116	46
Total income taxes	**15**	**181**
Net Income	59	371
Less: Net Income Attributable to Redeemable Noncontrolling Interest	2	-
Shareholders' Net Income	**$ 57**	**$ 371**
Shareholders' Net Income Per Share:		
Basic	$ 0.20	$ 1.30
Diluted	$ 0.20	$ 1.28
Dividends Declared Per Share	**$ 0.04**	**$ 0.04**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Cigna Corporation
Consolidated Statements of Comprehensive Income

(In millions, except per share amounts)	Unaudited Three Months Ended March 31, 2013	2012
Shareholders' net income	$ 57	$ 371
Shareholders' other comprehensive income (loss):		
Net unrealized appreciation (depreciation) on securities:		
Fixed maturities	(72)	23
Equity securities	2	1
Net unrealized appreciation (depreciation), on securities	(70)	24
Net unrealized appreciation (depreciation), derivatives	3	(5)
Net translation of foreign currencies	(58)	35
Postretirement benefits liability adjustment	40	11
Shareholders' other comprehensive income (loss)	(85)	65
Shareholders' comprehensive income (loss)	(28)	436
Comprehensive income (loss) attributable to noncontrolling interest:		
Net income attributable to redeemable noncontrolling interest	2	-
Other comprehensive (loss) attributable to redeemable noncontrolling interest	(3)	-
Total comprehensive income (loss)	**$ (29)**	**$ 436**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Cigna Corporation
Consolidated Balance Sheets

(In millions, except per share amounts)	Unaudited As of March 31, 2013		As of December 31, 2012	
Assets				
Investments:				
Fixed maturities, at fair value (amortized cost, $14,531; $15,481)		$ 16,600		$ 17,705
Equity securities, at fair value (cost, $137; $121)		131		111
Commercial mortgage loans		2,811		2,851
Policy loans		1,504		1,501
Real estate		82		83
Other long-term investments		1,249		1,255
Short-term investments		122		154
Total investments		22,499		23,660
Cash and cash equivalents		3,306		2,978
Accrued investment income		277		258
Premiums, accounts and notes receivable, net		1,943		1,777
Reinsurance recoverables		7,514		6,256
Deferred policy acquisition costs		1,221		1,198
Property and equipment		1,109		1,120
Deferred income taxes, net		284		374
Goodwill		5,990		6,001
Other assets, including other intangibles		2,846		2,355
Separate account assets		7,950		7,757
Total assets		**$ 54,939**		**$ 53,734**
Liabilities				
Contractholder deposit funds		$ 8,512		$ 8,508
Future policy benefits		9,538		9,265
Unpaid claims and claim expenses		4,218		4,062
Global Health Care medical claims payable		2,000		1,856
Unearned premiums and fees		577		549
Total insurance and contractholder liabilities		24,845		24,240
Accounts payable, accrued expenses and other liabilities		6,976		6,667
Short-term debt		400		201
Long-term debt		4,995		4,986
Separate account liabilities		7,950		7,757
Total liabilities		**45,166**		**43,851**
Contingencies — Note 17				
Redeemable noncontrolling interest		113		114
Shareholders' Equity				
Common stock (par value per share, $0.25; shares issued, 366; authorized, 600)		92		92
Additional paid-in capital		3,305		3,295
Net unrealized appreciation, fixed maturities	$ 811		$ 883	
Net unrealized appreciation, equity securities	6		4	
Net unrealized depreciation, derivatives	(25)		(28)	
Net translation of foreign currencies	11		69	
Postretirement benefits liability adjustment	(1,559)		(1,599)	
Accumulated other comprehensive loss		(756)		(671)
Retained earnings		12,328		12,330
Less treasury stock, at cost		(5,309)		(5,277)
Total shareholders' equity		9,660		9,769
Total liabilities and equity		$ 54,939		$ 53,734
Shareholders' Equity Per Share		**$ 33.79**		**$ 34.18**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Cigna Corporation
Consolidated Statements of Changes in Total Equity

Unaudited **For the three months ended March 31, 2013** *(In millions, except per share amounts)*	**Common Stock**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Treasury Stock**	**Shareholders' Equity**	**Redeemable Noncontrolling Interest**
Balance at January 1, 2013	$ 92	$ 3,295	$ (671)	$ 12,330	$ (5,277)	$ 9,769	$ 114
Effect of issuing stock for employee benefit plans		10		(48)	65	27	
Other comprehensive loss			(85)			(85)	(3)
Net income				57		57	2
Common dividends declared (per share: $0.04)				(11)		(11)	
Repurchase of common stock					(97)	(97)	
Balance at March 31, 2013	**$ 92**	**$ 3,305**	**$ (756)**	**$ 12,328**	**$ (5,309)**	**$ 9,660**	**$ 113**

For the three months ended March 31, 2012 *(In millions, except per share amounts)*	**Common Stock**	**Additional Paid-in Capital**	**Accumulated Other Comprehensive Loss**	**Retained Earnings**	**Treasury Stock**	**Shareholders' Equity**	**Redeemable Noncontrolling Interest**
Balance at January 1, 2012	$ 92	$ 3,188	$ (787)	$ 10,787	$ (5,286)	$ 7,994	$
Effect of issuing stock for employee benefit plans		80		(24)	86	142	
Other comprehensive income			65			65	
Net income				371		371	
Common dividends declared (per share: $0.04)				(11)		(11)	
Repurchase of common stock						-	
Balance at March 31, 2012	**$ 92**	**$ 3,268**	**$ (722)**	**$ 11,123**	**$ (5,200)**	**$ 8,561**	**$**

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

Cigna Corporation
Consolidated Statements of Cash Flows

(In millions)	Unaudited Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities		
Net income	$ 59	$ 371
Adjustments to reconcile net income to net cash (used in) / provided by operating activities:		
Depreciation and amortization	150	126
Realized investment gains	(139)	(13)
Deferred income taxes	116	46
Gains on sale of businesses	(4)	(5)
Net changes in assets and liabilities, net of non-operating effects:		
Premiums, accounts and notes receivable	(158)	(215)
Reinsurance recoverables	328	(30)
Deferred policy acquisition costs	(82)	(47)
Other assets	103	155
Insurance liabilities	750	637
Accounts payable, accrued expenses and other liabilities	(328)	(166)
Current income taxes	(110)	105
Cash used to effectively exit run-off reinsurance business	(1,475)	-
Other, net	(15)	(23)
Net cash (used in) / provided by operating activities	**(805)**	**941**
Cash Flows from Investing Activities		
Proceeds from investments sold:		
Fixed maturities	958	221
Equity securities	3	-
Commercial mortgage loans	46	165
Other (primarily short-term and other long-term investments)	221	300
Investment maturities and repayments:		
Fixed maturities	386	317
Equity securities	9	-
Commercial mortgage loans	9	36
Investments purchased:		
Fixed maturities	(383)	(831)
Equity securities	(27)	-
Commercial mortgage loans	(15)	(180)
Other (primarily short-term and other long-term investments)	(121)	(167)
Property and equipment purchases	(84)	(81)
Acquisitions and dispositions, net of cash acquired	(40)	(3,199)
Net cash provided by / (used in) investing activities	**962**	**(3,419)**
Cash Flows from Financing Activities		
Deposits and interest credited to contractholder deposit funds	363	261
Withdrawals and benefit payments from contractholder deposit funds	(332)	(231)
Change in cash overdraft position	(3)	22
Net change in short-term debt	198	123
Repayment of long-term debt	-	(326)
Repurchase of common stock	(77)	-
Issuance of common stock	36	45
Net cash provided by / (used in) financing activities	**185**	**(106)**
Effect of foreign currency rate changes on cash and cash equivalents	(14)	5
Net increase / (decrease) in cash and cash equivalents	328	(2,579)
Cash and cash equivalents, January 1,	2,978	4,690
Cash and cash equivalents, March 31,	$ 3,306	$ 2,111
Supplemental Disclosure of Cash Information:		
Income taxes paid, net of refunds	$ 12	$ 22
Interest paid	$ 70	$ 54

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

CIGNA CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 — Basis of Presentation

Cigna Corporation was incorporated in the State of Delaware in 1981. Various businesses that are described in its Annual Report on Form 10-K for the fiscal year ended December 31, 2012 ("2012 Form 10-K") are conducted by its insurance and other subsidiaries. As used in this document, "Cigna", the "Company", "we" and "our" may refer to Cigna Corporation itself, one or more of its subsidiaries, or Cigna Corporation and its consolidated subsidiaries. The Consolidated Financial Statements include the accounts of Cigna Corporation and its significant subsidiaries. Intercompany transactions and accounts have been eliminated in consolidation. These Consolidated Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The Company is a global health services organization with a mission to help its customers improve their health, well-being and sense of security. Its insurance subsidiaries are major providers of medical, dental, disability, life and accident insurance and related products and services, the majority of which are offered through employers and other groups (e.g. governmental and non-governmental organizations, unions and associations). Cigna also offers Medicare and Medicaid products and health, life and accident insurance coverages primarily to individuals in the U.S. and selected international markets. In addition to its ongoing operations described above, the Company also has certain run-off operations, including a Run-off Reinsurance segment.

The interim consolidated financial statements are unaudited but include all adjustments (including normal recurring adjustments) necessary, in the opinion of management, for a fair statement of financial position and results of operations for the periods reported. The interim consolidated financial statements and notes should be read in conjunction with the Consolidated Financial Statements and Notes in the Company's 2012 Form 10-K.

The preparation of interim consolidated financial statements necessarily relies heavily on estimates. This and certain other factors, such as the seasonal nature of portions of the health care and related benefits business as well as competitive and other market conditions, call for caution in estimating full year results based on interim results of operations. Certain reclassifications have been made to prior period amounts to conform to the current presentation. In particular, as a result of the changes in segment reporting discussed further in Note 16, benefits expense amounts previously reported in Other Benefits Expense for the international health care business have been reclassified to Global Health Care Medical Claims Expense in the Consolidated Statement of Income for the three months ended March 31, 2012.

Note 2 — Recent Accounting Pronouncements

Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("AOCI") (Accounting Standards Update ("ASU") 2013-02). Effective January 1, 2013, the Company adopted the Financial Accounting Standards Board's ("FASB") updated guidance on the reporting of items of AOCI reclassified to net income. The updated guidance requires disclosures of the effect of items reclassified out of AOCI into net income on each individual line item in the statement of income. See Note 14 for the Company's updated disclosures.

Disclosures about Offsetting Assets and Liabilities (ASU 2011-11). The FASB's new requirements to disclose information on both a gross and net basis for certain derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset in accordance with specific criteria or subject to a master netting or similar arrangement became effective January 1, 2013. There were no effects to the Company's financial statements because no transactions or arrangements were subject to these new disclosure requirements.

Fees Paid to the Federal Government by Health Insurers (ASU 2011-06). In 2011, the FASB issued accounting guidance for the health insurance industry assessment (the "fee") mandated by the Patient Protection and Affordable Care Act of 2010 ("Health Care Reform"). The fee will be levied on health insurers beginning in 2014 based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the U.S. health insurance industry total. In addition, because these fees will generally not be tax deductible, the Company's effective tax rate is expected to be adversely impacted in future periods. Under the guidance, the liability for the fee will be estimated and recorded in full each year beginning in 2014 when health insurance is first provided. A corresponding deferred cost will be recorded and amortized over the calendar year. The amount of the fees is expected to be material, although the Company is unable to estimate the impact of these fees on shareholders' net income and the effective tax rate.

Note 3 — Acquisitions and Dispositions

The Company may from time to time acquire or dispose of assets, subsidiaries or lines of business. For further information on the effective exit from the guaranteed minimum death benefits ("GMDB") and guaranteed minimum income benefits ("GMIB") business, see Note 6. Other significant transactions are described below.

A. Joint Venture Agreement with Finansbank

On November 9, 2012, the Company acquired 51% of the total shares of Finans Emeklilik ve Hayat A.S. ("Finans Emeklilik"), a Turkish insurance company, from Finansbank A.S. ("Finansbank"), a Turkish retail bank, for a cash purchase price of approximately $116 million. Finansbank continues to hold 49% of the total shares. Finans Emeklilik operates in life insurance, accident insurance and pension product markets. The acquisition provides Cigna opportunities to reach and serve the growing middle class market in Turkey through Finansbank's network of retail banking branches.

In accordance with GAAP, the total purchase price, including the redeemable noncontrolling interest of $111 million, has been allocated to the tangible and intangible net assets acquired based on management's estimates of their fair value. Accordingly, approximately $113 million was allocated to identifiable intangible assets, primarily a distribution relationship and the value of business acquired ("VOBA") that represents the present value of the estimated net cash flows from the long duration contracts in force, with the remaining $116 million recorded as goodwill. The identifiable intangible assets will be amortized over an estimated useful life of approximately 10 years. Goodwill has been allocated to the Global Supplemental Benefits segment and is not deductible for federal income tax purposes.

The redeemable noncontrolling interest is classified as temporary equity in the Company's Consolidated Balance Sheet because Finansbank has the right to require the Company to purchase its 49% interest for the value of its net assets and the inforce business in 15 years.

The condensed balance sheet at the acquisition date was as follows:

(In millions)		
Investments	$	23
Cash and cash equivalents		54
Value of business acquired (reported in Deferred policy acquisition costs in the Consolidated Balance Sheet)		26
Goodwill		116
Separate account assets		99
Other assets, including other intangibles		98
Total assets acquired		**416**
Insurance liabilities		58
Accounts payable, accrued expenses and other liabilities		32
Separate account liabilities		99
Total liabilities acquired		**189**
Redeemable noncontrolling interest		111
Net assets acquired	$	116

The results of Finans Emeklilik have been included in the Company's Consolidated Financial Statements from the date of acquisition. The pro forma effects on total revenues and net income assuming the acquisition had occurred as of January 1, 2012 were not material to the Company for the three months ended March 31, 2012.

B. Acquisition of Great American Supplemental Benefits Group

On August 31, 2012, the Company acquired Great American Supplemental Benefits Group, one of the largest providers of supplemental health insurance products in the U.S. for $326 million, with cash from internal sources. The acquisition provides the Company with an increased presence in the Medicare supplemental benefits market. It also extends the Company's global direct-to-consumer retail channel as well as further enhances its distribution network of agents and brokers. Subsequent to the segment reporting changes in 2012, results of this business are reported in the Global Supplemental Benefits segment.

In accordance with GAAP, the total purchase price has been allocated to the tangible and intangible net assets acquired based on management's estimates of their fair value. Approximately $168 million was allocated to intangible assets, primarily the VOBA asset that will be amortized in proportion to premium recognized over the life of the contracts that is estimated to be 30 years. Amortization will be higher in early years and decline as policies lapse. Goodwill has been allocated to the Global Supplemental Benefits segment. Substantially all of the goodwill is tax deductible and will be amortized over the next 15 years for federal income tax purposes.

The condensed balance sheet at the acquisition date was as follows:

(In millions)		
Investments	$	211
Cash and cash equivalents		36
Reinsurance recoverables		448
Goodwill		168
Value of business acquired (reported in Deferred policy acquisition costs in the Consolidated Balance Sheet)		144
Other assets, including other intangibles		35
Total assets acquired		1,042
Insurance liabilities		707
Accounts payable, accrued expenses and other liabilities		9
Total liabilities acquired		716
Net assets acquired	$	326

The results of Great American Supplemental Benefits have been included in the Company's Consolidated Financial Statements from the date of acquisition. The pro forma effects on total revenues and net income assuming the acquisition had occurred as of January 1, 2012 were not material to the Company for the three months ended March 31, 2012.

C. Acquisition of HealthSpring, Inc.

On January 31, 2012 the Company acquired the outstanding shares of HealthSpring, Inc. ("HealthSpring") for $55 per share in cash and Cigna stock awards, representing a cost of approximately $3.8 billion. HealthSpring provides Medicare Advantage coverage in 15 states and the District of Columbia, as well as a large, national stand-alone Medicare prescription drug business. The acquisition of HealthSpring strengthens the Company's ability to serve individuals across their life stages as well as deepens its presence in a number of geographic markets. The addition of HealthSpring brings industry leading physician partnership capabilities and creates the opportunity to deepen the Company's existing client and customer relationships, as well as facilitates a broader deployment of its range of health and wellness capabilities and product offerings. The Company funded the acquisition with internal cash resources.

Purchase price allocation . In accordance with GAAP, the total purchase price has been allocated to the tangible and intangible net assets acquired based on management's estimates of their fair values. Goodwill is not deductible for federal income tax purposes and is allocated to the Government operating segment. The condensed balance sheet of HealthSpring at the acquisition date was as follows:

(In millions)		
Investments	$	612
Cash and cash equivalents		492
Premiums, accounts and notes receivable		320
Goodwill		2,541
Intangible assets		795
Other		96
Total assets acquired		**4,856**
Insurance liabilities		505
Deferred income taxes		214
Debt		326
Total liabilities acquired		**1,045**
Net assets acquired	**$**	**3,811**

In accordance with debt covenants, HealthSpring's debt obligation was paid immediately following the acquisition. This repayment is reported as a financing activity in the statement of cash flows for the three months ended March 31, 2012.

The results of HealthSpring have been included in the Company's Consolidated Financial Statements from the date of the acquisition. Revenues of HealthSpring included in the Company's results for the three months ended March 31, 2012 were approximately $1.0 billion.

Pro forma information. The following table presents selected unaudited pro forma information for the Company assuming the acquisition of HealthSpring had occurred as of January 1, 2011. This pro forma information does not purport to represent what the Company's actual results would have been if the acquisition had occurred as of the date indicated or what such results would be for any future periods.

(In millions, except per share amounts)	**Three Months Ended March 31, 2012**	
Total revenues	$	7,277
Shareholders' net income	$	381
Earnings per share:		
Basic	$	1.33
Diluted	$	1.32

Note 4 — Earnings Per Share ("EPS")

Basic and diluted earnings per share were computed as follows:

(Dollars in millions, except per share amounts)	Basic	Effect of Dilution	Diluted
Three Months Ended March 31,			
2013			
Shareholders' net income	**$ 57**		**$ 57**
Shares *(in thousands):*			
Weighted average	**283,804**		**283,804**
Common stock equivalents		**5,454**	**5,454**
Total shares	283,804	5,454	289,258
EPS	**$ 0.20**	**$ -**	**$ 0.20**
2012			
Shareholders' net income	$ 371		$ 371
Shares *(in thousands):*			
Weighted average	285,159		285,159
Common stock equivalents		3,840	3,840
Total shares	285,159	3,840	288,999
EPS	$ 1.30	$ (0.02)	$ 1.28

The following outstanding employee stock options were not included in the computation of diluted earnings per share because their effect would have increased diluted earnings per share (antidilutive) as their exercise price was greater than the average share price of the Company's common stock for the period.

	Three Months Ended March 31,	
(In millions)	2013	2012
Antidilutive options	-	3.8

The Company held 80,302,892 shares of common stock in Treasury as of March 31, 2013, and 77,847,260 shares as of March 31, 2012.

Note 5 — Global Health Care Medical Claims Payable

Medical claims payable for the Global Health Care segment reflects estimates of the ultimate cost of claims that have been incurred but not yet reported, those that have been reported but not yet paid (reported claims in process), and other medical expenses payable that is primarily comprised of accruals for incentives and other amounts payable to health care professionals and facilities. The liability for incurred but not yet reported claims is the majority of the reserve balance as follows:

(In millions)	March 31, 2013	December 31, 2012
Incurred but not yet reported	$ 1,717	$ 1,541
Reported claims in process	190	243
Physician incentives and other medical expense payable	93	72
Medical claims payable	**$ 2,000**	**$ 1,856**

Activity in medical claims payable was as follows:

(In millions)	For the period ended March 31, 2013	December 31, 2012
Balance at January 1,	$ 1,856	$ 1,305
Less: Reinsurance and other amounts recoverable	242	249
Balance at January 1, net	1,614	1,056
Acquired net:	-	504
Incurred claims related to:		
Current year	4,164	14,428
Prior years	(117)	(200)
Total incurred	4,047	14,228
Paid claims related to:		
Current year	2,694	12,854
Prior years	1,162	1,320
Total paid	3,856	14,174
Ending Balance, net	1,805	1,614
Add: Reinsurance and other amounts recoverable	195	242
Ending Balance	**$ 2,000**	**$ 1,856**

Reinsurance and other amounts recoverable reflect amounts due from reinsurers and policyholders to cover incurred but not reported and pending claims for minimum premium products and certain administrative services only business where the right of offset does not exist. See Note 6 for additional information on reinsurance. For the three months ended March 31, 2013, actual experience differed from the Company's key assumptions resulting in favorable incurred claims related to prior years' medical claims payable of $117 million, or 0.8% of the current year incurred claims as reported for the year ended December 31, 2012. Actual completion factors accounted for $47 million, or 0.3% of the favorability while actual medical cost trend resulted in the remaining $70 million, or 0.5%.

For the year ended December 31, 2012, actual experience differed from the Company's key assumptions, resulting in favorable incurred claims related to prior years' medical claims payable of $200 million, or 2.2% of the current year incurred claims as reported for the year ended December 31, 2011. Actual completion factors accounted for $91 million, or 1.0% of favorability while actual medical cost trend resulted in the remaining $109 million, or 1.2%.

The impact of prior year development on shareholders' net income was $48 million for the three months ended March 31, 2013 compared with $41 million for the three months ended March 31, 2012. The favorable effect of prior year development for both years primarily reflects low utilization of medical services, as well as the impact of the medical loss ratio (MLR) rebate accrual. The change in the amount of the incurred claims related to prior years in the medical claims payable liability does not directly correspond to an increase or decrease in the Company's shareholders' net income recognized for the following reasons:

First, the Company consistently recognizes the actuarial best estimate of the ultimate liability within a level of confidence, as required by actuarial standards of practice that require the liabilities be adequate under moderately adverse conditions. As the Company establishes the liability for each incurral year, the Company ensures that its assumptions appropriately consider moderately adverse conditions. When a portion of the development related to the prior year incurred claims is offset by an increase determined appropriate to address moderately adverse conditions for the current year incurred claims, the Company does not consider that offset amount as having any impact on shareholders' net income.

Second, as a result of the MLR provisions of the Patient Protection and Affordable Care Act, changes in medical claim estimates due to prior year development may be offset by a change in the MLR rebate accrual.

Third, changes in reserves for the Company's retrospectively experience-rated business do not always impact shareholders' net income. For the Company's retrospectively experience-rated business only adjustments to medical claims payable on accounts in deficit affect shareholders' net income. An increase or decrease to medical claims payable on accounts in deficit, in effect, accrues to the Company and directly impacts shareholders' net income. An account is in deficit when the accumulated medical costs and administrative charges, including profit charges, exceed the accumulated premium received. Adjustments to medical claims payable on accounts in surplus generally accrue directly to the policyholder with no impact on the Company's shareholders' net income. An account is in surplus when the accumulated premium received exceeds the accumulated medical costs and administrative charges, including profit charges.

The determination of liabilities for Global Health Care medical claims payable requires the Company to make critical accounting estimates. See Note 2(N) to the Consolidated Financial Statements in the Company's 2012 Form 10-K.

Note 6 — Reinsurance

The Company's insurance subsidiaries enter into agreements with other insurance companies to assume and cede reinsurance. Reinsurance is ceded primarily to limit losses from large exposures and to permit recovery of a portion of direct losses. Reinsurance is also used in acquisition and disposition transactions when the underwriting company is not being acquired. Reinsurance does not relieve the originating insurer of liability. The Company regularly evaluates the financial condition of its reinsurers and monitors its concentrations of credit risk.

Effective Exit of GMDB and GMIB Business

On February 4, 2013, the Company entered into an agreement with Berkshire Hathaway Life Insurance Company of Nebraska (Berkshire) to effectively exit the GMDB and GMIB business via a reinsurance transaction. Berkshire reinsured 100% of the Company's future claim payments, net of retrocessional arrangements in place prior to February 4, 2013. The reinsurance agreement is subject to an overall limit of approximately $3.8 billion plus future premiums collected under the contracts being reinsured that will be paid to Berkshire. The Company estimates that these future premium amounts will be from $0.1 to $0.3 billion and, accordingly, expects future claims of approximately $4 billion to be covered by the agreement.

This transaction resulted in an after-tax charge to shareholders' net income in the first quarter of 2013 of $507 million ($781 million pre-tax reported as follows: $727 million in other benefits expense; $45 million in GMIB fair value (gain) loss; and $9 million in other operating expenses). The reinsurance premium due to Berkshire under the agreement was $2.2 billion, of which $1.5 billion was paid through March 31, 2013. The unpaid premium of $0.7 billion as of March 31, 2013 is included in Accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheet and was paid on April 18, 2013. The reinsurance premium was funded from the sale of investment assets, tax benefits related to the transaction and available parent cash.

Recoverables for GMDB and GMIB Business

The Company had reinsurance recoverables related to the GMDB business of approximately $1.4 billion and GMIB assets of $1.1 billion as of March 31, 2013. Approximately 80% of the combined GMDB recoverables and GMIB assets of $2.5 billion are secured by assets in trust, letters of credit, or funds withheld or are not subject to collection risk. Approximately $1.8 billion of the combined GMDB recoverables and GMIB assets relate to the February 4, 2013 reinsurance arrangement with Berkshire, including $0.7 billion for the cost of reinsurance (excess of premium over recorded reserves).

The following disclosures for the reinsured GMDB and GMIB business provide further context to prior year results as well as activity in the assets and liabilities including the impacts of the reinsurance transaction.

GMDB

The Company has historically estimated its liabilities for assumed and ceded GMDB exposures with an internal model using many scenarios and based on assumptions regarding lapse, future partial surrenders, claim mortality (deaths that result in claims), interest rates (mean investment performance and discount rate) and volatility. These assumptions are based on the Company's experience and future expectations over an extended period, consistent with the long-term nature of this product.

In 2000, the Company determined that the GMDB reinsurance business was premium deficient because the recorded future policy benefit reserve was less than the expected present value of future claims and expenses less the expected present value of future premiums and investment income using revised assumptions based on actual and expected experience. The Company tests for premium deficiency by reviewing its reserve each quarter using current market conditions and its long-term assumptions. Under premium deficiency accounting, if the recorded reserve is determined insufficient, an increase to the reserve is reflected as a charge to current period income. The premium attributable to GMDB from the reinsurance transaction with Berkshire was approximately $1.6 billion. Because this premium exceeded the recorded reserve on February 4, 2013, the Company recorded a reserve strengthening of $0.7 billion ($0.5 billion after-tax) in the first quarter of 2013. Subsequent to the reinsurance transaction on February 4, 2013, any such reserve increase will have a corresponding increase in the recorded reinsurance recoverable, provided that the increased recoverable remains within the overall limit (including the GMIB asset).

The Company's dynamic hedge programs were discontinued during the first quarter of 2013 due to the reinsurance agreement with Berkshire. These programs were used to reduce certain equity and interest rate exposures associated with this business. These hedge programs generated losses of $32 million for the three months ended March 31, 2013 and $87 million for the three months ended March 31, 2012 that were included in Other Revenues. Prior to the hedge programs being discontinued, amounts representing corresponding reductions in liabilities for GMDB contracts were included in benefits and expenses. As a result of discontinuing the hedge programs, the growth rate assumption for the underlying equity funds was changed to use long-term historical averages, resulting in a decrease in the gross reserve liability and the offsetting reinsurance recoverable.

For the full year ended December 31, 2012, a reserve strengthening of $43 million ($27 million after-tax) was due primarily to reductions to the lapse rate assumptions, adverse interest rate impacts, and, to a lesser extent, an increase in the volatility and correlation assumptions, partially offset by favorable equity market conditions. The adverse interest rate impacts reflect management's consideration of the anticipated impact of continued low short-term interest rates.

Activity in future policy benefit reserves for the GMDB business was as follows:

	For the period ended	
(In millions)	**March 31, 2013**	**December 31, 2012**
Balance at January 1	$ 1,090	$ 1,170
Add: Unpaid claims	24	40
Less: Reinsurance and other amounts recoverable	42	53
Balance at January 1, net	1,072	1,157
Add: Incurred benefits	702	17
Less: Paid benefits (including $1,647 premium for Berkshire)	1,672	102
Ending balance, net	102	1,072
Less: Unpaid claims	23	24
Add: Reinsurance and other amounts recoverable	1,371	42
Ending balance	**$ 1,450**	**$ 1,090**

Benefits paid and incurred are net of ceded amounts. For the three months ended March 31, 2013, incurred benefits reflect the February 4, 2013 reinsurance transaction. The remaining retained reserve in 2013 is to cover claims retained by the Company, as well as ongoing administrative expenses. Incurred benefits reflect the favorable or unfavorable impact of a rising or falling equity market on the liability, and include the charges discussed above.

The death benefit coverage in force for GMDB contracts assumed by the Company (and reinsured as of February 4, 2013) was $3.6 billion as of March 31, 2013 and $4 billion as of December 31, 2012. The death benefit coverage in force represents the excess of the guaranteed benefit amount over the value of the underlying mutual fund investments for all contractholders (approximately 425,000 as of March 31, 2013 and 435,000 as of December 31, 2012). The aggregate value of the underlying mutual fund investments for these GMDB contracts, assuming no reinsurance, was $13.7 billion as of March 31, 2013 and $13.3 billion as of December 31, 2012.

GMIB

As discussed further in Note 8, because GMIB contracts are without significant life insurance risk, they are not accounted for as insurance products. Instead, the Company reports GMIB liabilities and assets as derivatives at fair value. The GMIB asset is classified in Other assets, including other intangibles and the GMIB liability is classified in Accounts payable, accrued expenses and other liabilities in the Consolidated Balance Sheet. Disclosures related to fair value are included in Note 8 and the derivative is further described under Note 10.

The February 4, 2013 transaction with Berkshire described above resulted in an increase in GMIB assets, representing the increased receivable from that transaction. As of March 31, 2013, GMIB assets include $0.5 billion from Berkshire.

In addition, the GMIB business had GMIB assets of $0.6 billion (classified in Other assets, including other intangibles in the Consolidated Balance Sheet) from two other retrocessionaires as of March 31, 2013.

Other Run-off

The Company's Run-off Reinsurance operations also assumed risks related to workers' compensation and personal accident business, and purchased retrocessional coverage to reduce the risk of loss on these contracts. The reinsurance recoverables were $125 million as of March 31, 2013. Of this amount, approximately 99% are secured by assets in a trust or letters of credit.

Other Reinsurance

Supplemental benefits business. The Company had reinsurance recoverables of approximately $394 million as of March 31, 2013 and $402 million as of December 31, 2012 from Great American Life Insurance Company resulting from the acquisition of Great American's Supplemental Benefits business on August 31, 2012. The life insurance and annuity lines of business written by the acquired legal entities were fully reinsured by the seller as part of the transaction. The resulting reinsurance recoverables are secured primarily by fixed maturities with book value equal to or greater than 100% of the reinsured policy liabilities. These fixed maturities are held in a trust established for the benefit of the Company.

Retirement benefits business . The Company had reinsurance recoverables of $1.3 billion as of March 31, 2013 and December 31, 2012 from Prudential Retirement Insurance and Annuity Company resulting from the sale of the retirement benefits business, that was primarily in the form of a reinsurance arrangement. The reinsurance recoverable, that is reduced as the Company's reinsured liabilities are paid or directly assumed by the reinsurer, is secured primarily by fixed maturities whose book value is equal to or greater than 100% of the reinsured liabilities. These fixed maturities are held in a trust established for the benefit of the Company. As of March 31, 2013, the book value of the trust assets exceeded the recoverable.

Individual life and annuity reinsurance. The Company had reinsurance recoverables of $4 billion as of March 31, 2013 and December 31, 2012 from The Lincoln National Life Insurance Company and Lincoln Life & Annuity of New York resulting from the 1998 sale of the Company's individual life insurance and annuity business through indemnity reinsurance arrangements. The Lincoln National Life Insurance Company and Lincoln Life & Annuity of New York must maintain a specified minimum credit or claims paying rating, or they will be required to fully secure the outstanding balance. As of March 31, 2013, both companies had ratings sufficient to avoid triggering this contractual obligation.

Ceded Reinsurance: Ongoing operations. T he Company's insurance subsidiaries have reinsurance recoverables from various reinsurance arrangements in the ordinary course of business for its Global Health Care, Global Supplemental Benefits and Group Disability and Life segments as well as the non-leveraged and leveraged corporate-owned life insurance business. Reinsurance recoverables of $346 million as of March 31, 2013 are expected to be collected from more than 80 reinsurers.

The Company reviews its reinsurance arrangements and establishes reserves against the recoverables in the event that recovery is not considered probable. As of March 31, 2013, the Company's recoverables related to these segments were net of a reserve of $3 million.

Summary. The Company's reserves for underlying reinsurance exposures assumed by the Company, as well as for amounts recoverable from reinsurers and retrocessionaires for both ongoing operations and the run-off reinsurance operation, are considered appropriate as of March 31, 2013, based on current information. The Company bears the risk of loss if its reinsurers and retrocessionaires do not meet or are unable to meet their reinsurance obligations to the Company.

Effects of reinsurance . In the Company's Consolidated Statements of Income, Premiums and fees were net of ceded premiums, and Total benefits and expenses were net of reinsurance recoveries, in the following amounts:

(In millions)	Three Months Ended March 31, 2013	2012
Ceded premiums and fees		
Individual life insurance and annuity business sold	$ 46	$ 51
Other	79	66
Total	$ 125	$ 117
Reinsurance recoveries		
Individual life insurance and annuity business sold	$ 88	$ 68
Other	(262)	54
Total	$ (174)	$ 122

As noted in the GMDB section above, recoveries for the three months ended March 31, 2013 are net of the impact of a decrease in reinsurance recoverables due to a change in the growth rate assumption, resulting from the discontinuance of the hedge programs following the reinsurance transaction with Berkshire.

Note 7 — Realignment and Efficiency Plan

During the third quarter of 2012, in connection with the execution of its strategy, the Company committed to a series of actions to further improve its organizational alignment, operational effectiveness, and efficiency. As a result, the Company recognized charges in other operating expenses of $77 million pre-tax ($50 million after-tax) in the third quarter of 2012 consisting primarily of severance costs. Summarized below is activity in the liability for the three months ended March 31, 2013:

(In millions)	Severance	Real estate	Total
Balance, January 1, 2013	$ 67	$ 4	$ 71
Less: Payments	8	1	9
Balance, March 31, 2013	$ 59	$ 3	$ 62

The severance costs are expected to be substantially paid in 2013.

Note 8 — Fair Value Measurements

The Company carries certain financial instruments at fair value in the financial statements including fixed maturities, equity securities, short-term investments and derivatives. Other financial instruments are measured at fair value under certain conditions, such as when impaired.

Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date. A liability's fair value is defined as the amount that would be paid to transfer the liability to a market participant, not the amount that would be paid to settle the liability with the creditor.

The Company's financial assets and liabilities carried at fair value have been classified based upon a hierarchy defined by GAAP. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level of input that is significant to its measurement. For example, a financial asset or liability carried at fair value would be classified in Level 3 if unobservable inputs were significant to the instrument's fair value, even though the measurement may be derived using inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The Company estimates fair values using prices from third parties or internal pricing methods. Fair value estimates received from third-party pricing services are based on reported trade activity and quoted market prices when available, and other market information that a market participant may use to estimate fair value. The internal pricing methods are performed by the Company's investment professionals, and generally involve using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality, as well as other qualitative factors. In instances where there is little or no market activity for the same or similar instruments, fair value is estimated using methods, models and assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price. These valuation techniques involve some level of estimation and judgment that becomes significant with increasingly complex instruments or pricing models.

The Company is responsible for determining fair value, as well as the appropriate level within the fair value hierarchy, based on the significance of unobservable inputs. The Company reviews methodologies, processes and controls of third-party pricing services and compares prices on a test basis to those obtained from other external pricing sources or internal estimates. The Company performs ongoing analyses of both prices received from third-party pricing services and those developed internally to determine that they represent appropriate estimates of fair value. The controls completed by the Company and third-party pricing services include reviewing to ensure that prices do not become stale and whether changes from prior valuations are reasonable or require additional review. The Company also performs sample testing of sales values to confirm the accuracy of prior fair value estimates. Exceptions identified during these processes indicate that adjustments to prices are infrequent and do not significantly impact valuations.

Financial Assets and Financial Liabilities Carried at Fair Value

The following tables provide information as of March 31, 2013 and December 31, 2012 about the Company's financial assets and liabilities carried at fair value. Similar disclosures for separate account assets, which are also recorded at fair value on the Company's Consolidated Balance Sheets, are provided separately as gains and losses related to these assets generally accrue directly to policyholders.

March 31, 2013 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets at fair value:				
Fixed maturities:				
Federal government and agency	$ 132	$ 715	$ -	$ 847
State and local government	-	2,401	-	2,401
Foreign government	-	1,218	24	1,242
Corporate	-	10,422	584	11,006
Federal agency mortgage-backed	-	107	-	107
Other mortgage-backed	-	82	1	83
Other asset-backed	-	269	645	914
Total fixed maturities (1)	132	15,214	1,254	16,600
Equity securities	6	91	34	131
Subtotal	138	15,305	1,288	16,731
Short-term investments	-	122	-	122
GMIB assets (2)	-	-	1,117	1,117
Other derivative assets (3)	-	7	-	7
Total financial assets at fair value, excluding separate accounts	$ 138	$ 15,434	$ 2,405	$ 17,977
Financial liabilities at fair value:				
GMIB liabilities	$ -	$ -	$ 1,099	$ 1,099
Other derivative liabilities (3)	-	28	-	28
Total financial liabilities at fair value	$ -	$ 28	$ 1,099	$ 1,127

(1) Fixed maturities included $810 million of net appreciation required to adjust future policy benefits for the run-off settlement annuity business including $103 million of appreciation for securities classified in Level 3.
(2) The GMIB assets represent retrocessional contracts in place from three external reinsurers that cover the exposures on these contracts.
(3) Other derivative assets included $6 million of interest rate and foreign currency swaps qualifying as cash flow hedges and $1 million of interest rate swaps not designated as accounting hedges. Other derivative liabilities reflected foreign currency and interest rate swaps qualifying as cash flow hedges. See Note 10 for additional information.

December 31, 2012 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Financial assets at fair value:				
Fixed maturities:				
Federal government and agency	$ 156	$ 746	$ -	$ 902
State and local government	-	2,437	-	2,437
Foreign government	-	1,298	24	1,322
Corporate	-	11,201	695	11,896
Federal agency mortgage-backed	-	122	-	122
Other mortgage-backed	-	88	1	89
Other asset-backed	-	340	597	937
Total fixed maturities (1)	156	16,232	1,317	17,705
Equity securities	4	73	34	111
Subtotal	160	16,305	1,351	17,816
Short-term investments	-	154	-	154
GMIB assets (2)	-	-	622	622
Other derivative assets (3)	-	41	-	41
Total financial assets at fair value, excluding separate accounts	**$ 160**	**$ 16,500**	**$ 1,973**	**$ 18,633**
Financial liabilities at fair value:				
GMIB liabilities	$ -	$ -	$ 1,170	$ 1,170
Other derivative liabilities (3)	-	31	-	31
Total financial liabilities at fair value	$ -	$ 31	$ 1,170	$ 1,201

(1) Fixed maturities included $875 million of net appreciation required to adjust future policy benefits for the run-off settlement annuity business including $108 million of appreciation for securities classified in Level 3.
(2) The GMIB assets represent retrocessional contracts in place from two external reinsurers that covered 55% of the exposures on these contracts.
(3) Other derivative assets included $5 million of interest rate and foreign currency swaps qualifying as cash flow hedges and $36 million of interest rate swaps not designated as accounting hedges. Other derivative liabilities reflected foreign currency and interest rate swaps qualifying as cash flow hedges. See Note 10 for additional information.

Level 1 Financial Assets

Inputs for instruments classified in Level 1 include unadjusted quoted prices for identical assets in active markets accessible at the measurement date. Active markets provide pricing data for trades occurring at least weekly and include exchanges and dealer markets.

Assets in Level 1 include actively-traded U.S. government bonds and exchange-listed equity securities. Given the narrow definition of Level 1 and the Company’s investment asset strategy to maximize investment returns, a relatively small portion of the Company’s investment assets are classified in this category.

Level 2 Financial Assets and Financial Liabilities

Inputs for instruments classified in Level 2 include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are market observable or can be corroborated by market data for the term of the instrument. Such other inputs include market interest rates and volatilities, spreads and yield curves. An instrument is classified in Level 2 if the Company determines that unobservable inputs are insignificant.

Fixed maturities and equity securities. Approximately 91% of the Company's investments in fixed maturities and equity securities are classified in Level 2 including most public and private corporate debt and equity securities, federal agency and municipal bonds, non-government mortgage-backed securities and preferred stocks. Because many fixed maturities do not trade daily, third-party pricing services and internal methods often use recent trades of securities with similar features and characteristics. When recent trades are not available, pricing models are used to determine these prices. These models calculate fair values by discounting future cash flows at estimated market interest rates. Such market rates are derived by calculating the appropriate spreads over comparable U.S. Treasury securities, based on the credit quality, industry and structure of the asset. Typical inputs and assumptions to pricing models include, but are not limited to, a combination of benchmark yields, reported trades, issuer spreads, liquidity, benchmark securities, bids, offers, reference data, and industry and economic events. For mortgage-backed securities, inputs and assumptions may also include characteristics of the issuer, collateral attributes, prepayment speeds and credit rating.

Nearly all of these instruments are valued using recent trades or pricing models. Less than 1% of the fair value of investments classified in Level 2 represent foreign bonds that are valued, consistent with local market practice, using a single unadjusted market-observable input derived by averaging multiple broker-dealer quotes.

Short-term investments are carried at fair value, which approximates cost. On a regular basis the Company compares market prices for these securities to recorded amounts to validate that current carrying amounts approximate exit prices. The short-term nature of the investments and corroboration of the reported amounts over the holding period support their classification in Level 2.

Other derivatives classified in Level 2 represent over-the-counter instruments such as interest rate and foreign currency swap contracts. Fair values for these instruments are determined using market observable inputs including forward currency and interest rate curves and widely published market observable indices. Credit risk related to the counterparty and the Company is considered when estimating the fair values of these derivatives. However, the Company is largely protected by collateral arrangements with counterparties, and determined that no adjustment for credit risk was required as of March 31, 2013 or December 31, 2012. The nature and use of these other derivatives are described in Note 10.

Level 3 Financial Assets and Financial Liabilities

Certain inputs for instruments classified in Level 3 are unobservable (supported by little or no market activity) and significant to their resulting fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The Company classifies certain newly issued, privately placed, complex or illiquid securities, as well as assets and liabilities relating to GMIB, in Level 3.

Fixed maturities and equity securities . Approximately 8% of fixed maturities and equity securities are priced using significant unobservable inputs and classified in this category, including:

(In millions)	**March 31, 2013**	**December 31, 2012**
Other asset and mortgage-backed securities - valued using pricing models	**$ 646**	$ 598
Corporate and government fixed maturities - valued using pricing models	**484**	596
Corporate fixed maturities - valued at transaction price	**124**	123
Equity securities - valued at transaction price	**34**	34
Total	**$ 1,288**	$ 1,351

Fair values of other asset and mortgage-backed securities, corporate and government fixed maturities are primarily determined using pricing models that incorporate the specific characteristics of each asset and related assumptions including the investment type and structure, credit quality, industry and maturity date in comparison to current market indices, spreads and liquidity of assets with similar characteristics. For other asset and mortgage-backed securities, inputs and assumptions to pricing may also include collateral attributes and prepayment speeds. Recent trades in the subject security or similar securities are assessed when available, and the Company may also review published research, as well as the issuer's financial statements, in its evaluation. Approximately 10% of fixed maturities classified in Level 3 represent single, unadjusted, non-binding broker quotes that are not considered market observable. Certain subordinated corporate fixed maturities and private equity investments, representing approximately 10% of securities included in Level 3, are valued at transaction price in the absence of market data indicating a change in the estimated fair values.

Quantitative Information about Unobservable Inputs
The following tables summarize the fair value and significant unobservable inputs used in pricing Level 3 securities that were developed directly by the Company as of March 31, 2013 and December 31, 2012. The range and weighted average basis point amounts reflect the Company's best estimates of the unobservable adjustments a market participant would make to the market observable spreads (adjustment to discount rates) used to calculate the fair values in a discounted cash flow analysis.

Other asset and mortgage-backed securities **.** The significant unobservable inputs used to value the following other asset and mortgage-backed securities are liquidity and weighting of credit spreads. An adjustment for liquidity is made as of the measurement date when there is limited trading activity for the security that considers current market conditions, issuer circumstances and complexity of the security structure. An adjustment to weight credit spreads is needed to value a more complex bond structure with multiple underlying collateral with no standard market valuation technique. The weighting of credit spreads is primarily based on the underlying collateral's characteristics and their proportional cash flows supporting the bond obligations. The resulting wide range of unobservable adjustments in the table below is due to the varying liquidity and quality of the underlying collateral, ranging from high credit quality to below investment grade.

Corporate and government fixed maturities **.** The significant unobservable input used to value the following corporate and government fixed maturities is an adjustment for liquidity. When there is limited trading activity for the security, an adjustment is needed to reflect current market conditions and issuer circumstances.

As of March 31, 2013 *(In millions except basis points)*		**Fair Value**	**Unobservable Input**	**Unobservable Adjustment to Discount Rates Range (Weighted Average)** ***in Basis Points***
Other asset and mortgage-backed securities	$	632	Liquidity	60-510 (140)
			Weighting of credit spreads	110-4,830 (430)
Corporate and government fixed maturities	$	331	Liquidity	75-675 (170)

As of December 31, 2012 *(In millions except basis points)*		**Fair Value**	**Unobservable Input**	**Unobservable Adjustment to Discount Rates Range (Weighted Average)** ***in Basis Points***
Other asset and mortgage-backed securities	$	584	Liquidity	60 - 410 (140)
			Weighting of credit spreads	50 - 4,540 (410)
Corporate and government fixed maturities	$	439	Liquidity	20 - 640 (190)

Significant increases in any of these inputs would result in a lower fair value measurement while decreases in these inputs would result in a higher fair value measurement. Generally, the unobservable inputs are not interrelated and a change in the assumption used for one unobservable input is not accompanied by a change in the other unobservable input. The tables do not include Level 3 securities where fair value and significant unobservable inputs were not developed directly by the Company, including securities using single, unadjusted non-binding broker quotes and securities valued at transaction price. See the preceding discussion regarding the Company's valuation processes and controls.

Guaranteed minimum income benefit contracts. As discussed in Note 6, the Company effectively exited the GMIB business as a result of the February 4, 2013 agreement with Berkshire. Although these GMIB assets and liabilities must continue to be reported as derivatives at fair value, the only assumption that is expected to impact future net income is the risk of nonperformance. This assumption reflects a market participant's view of the risk of the Company not fulfilling its GMIB obligations (GMIB liability), or the reinsurers' credit risk (GMIB asset). Further details about the nonperformance risk assumption, together with other assumptions for the GMIB contracts, are discussed below.

The Company reports GMIB liabilities and assets as derivatives at fair value because cash flows of these liabilities and assets are affected by equity markets and interest rates, but are without significant life insurance risk and are settled in lump sum payments. Under the terms of these written and purchased contracts, the Company periodically receives and pays fees based on either contractholders' account values or deposits increased at a contractual rate. The Company will also pay and receive cash depending on changes in account values and interest rates when contractholders first elect to receive minimum income payments. The Company estimates the fair value of the assets and liabilities for GMIB contracts with an internal model run over many scenarios using assumptions, including nonperformance risk.

The nonperformance risk adjustment is incorporated by adding an additional spread to the discount rate in the calculation of both (1) the GMIB liability to reflect a market participant's view of the risk of the Company not fulfilling its GMIB obligations, and (2) the

GMIB asset to reflect a market participant's view of the reinsurers' credit risk, after considering collateral. The estimated market-implied spread is company-specific for each party involved to the extent that company-specific market data is available and is based on industry averages for similarly-rated companies when company-specific data is not available. The spread is impacted by the credit default swap spreads of the specific parent companies, adjusted to reflect subsidiaries' credit ratings relative to their parent company and any available collateral. The additional spread over LIBOR incorporated into the discount rate ranged from 5 to 130 basis points for the GMIB liability with a weighted average of 55 basis points and ranged from 0 to 90 basis points for the GMIB reinsurance asset with a weighted average of 30 basis points for that portion of the interest rate curve most relevant to these policies.

Other assumptions that affect the GMIB asset and liability include capital market assumptions (including market returns, interest rates and market volatilities of the underlying equity and bond mutual fund investments) and future annuitant behavior (including mortality, lapse, and annuity election rates). As certain assumptions used to estimate fair values for these contracts are largely unobservable (primarily related to future annuitant behavior), the Company classifies GMIB assets and liabilities in Level 3.

The Company regularly evaluates each of the assumptions used in establishing these assets and liabilities. Significant decreases in assumed lapse rates or spreads used to calculate nonperformance risk, or increases in assumed annuity election rates would result in higher fair value measurements. A change in one of these assumptions is not necessarily accompanied by a change in another assumption.

GMIB liabilities are reported in the Company's Consolidated Balance Sheets in Accounts payable, accrued expenses and other liabilities. GMIB assets associated with these contracts represent net receivables in connection with reinsurance that the Company has purchased from three external reinsurers and are reported in the Company's Consolidated Balance Sheets in Other assets, including other intangibles.

Changes in Level 3 Financial Assets and Financial Liabilities Carried at Fair Value

The following tables summarize the changes in financial assets and financial liabilities classified in Level 3 for the three months ended March 31, 2013 and 2012. These tables exclude separate account assets as changes in fair values of these assets accrue directly to policyholders. Gains and losses reported in these tables may include net changes in fair value that are attributable to both observable and unobservable inputs.

For the Three Months Ended March 31, 2013 *(In millions)*	**Fixed Maturitie & Equity Securities**	**GMIB Assets**	**GMIB Liabilities**	**GMIB Net**
Balance at January 1, 2013	$ 1,351	$ 622	$ (1,170)	$ (548)
Gains (losses) included in shareholders' net income:				
GMIB fair value gain/(loss)	-	(49)	49	-
Other	6	1	-	1
Total gains (losses) included in shareholders' net income	6	(48)	49	1
Losses included in other comprehensive income	(1)	-	-	-
Losses required to adjust future policy benefits for settlement annuities (1)	(5)	-	-	-
Purchases, sales and settlements:				
Purchases	5	-	-	-
Sales	(12)	-	-	-
Settlements	(51)	543	22	565
Total purchases, sales and settlements	(58)	543	22	565
Transfers into/(out of) Level 3:				
Transfers into Level 3	54	-	-	-
Transfers out of Level 3	(59)	-	-	-
Total transfers into/(out of) Level 3	(5)	-	-	-
Balance at March 31, 2013	$ 1,288	$ 1,117	$ (1,099)	$ 18
Total gains (losses) included in shareholders' net income attributable to instruments held at the reporting date	**$ 2**	**$ (48)**	**$ 49**	**$ 1**

(1) Amounts do not accrue to shareholders.

For the Three Months Ended March 31, 2012 *(In millions)*	**Fixed Maturities & Equity Securities**	**GMIB Assets**	**GMIB Liabilities**	**GMIB Net**
Balance at January 1, 2012	$ 1,002	$ 712	$ (1,333)	$ (621)
Gains (losses) included in shareholders' net income:				
GMIB fair value gain/(loss)	-	(86)	153	67
Other	-	-	-	-
Total gains (losses) included in shareholders' net income	-	(86)	153	67
Gains included in other comprehensive income	8	-	-	-
Losses required to adjust future policy benefits for settlement annuities (1)	(11)	-	-	-
Purchases, sales and settlements:				
Purchases	37	-	-	-
Settlements	(3)	(9)	18	9
Total purchases, sales and settlements	34	(9)	18	9
Transfers into/(out of) Level 3:				
Transfers into Level 3	73	-	-	-
Transfers out of Level 3	(34)	-	-	-
Total transfers into/(out of) Level 3	39	-	-	-
Balance at March 31, 2012	$ 1,072	$ 617	$ (1,162)	$ (545)
Total gains (losses) included in shareholders' net income attributable to instruments held at the reporting date	$ -	$ (86)	$ 153	$ 67

(1) Amounts do not accrue to shareholders.

As noted in the tables above, total gains and losses included in shareholders' net income are reflected in the following captions in the Consolidated Statements of Income:

- Realized investment gains (losses) and net investment income for amounts related to fixed maturities and equity securities; and
- GMIB fair value (gain) loss for amounts related to GMIB assets and liabilities.

In the tables above, gains and losses included in other comprehensive income are reflected in net unrealized appreciation (depreciation) on securities in the Consolidated Statements of Other Comprehensive Income.

Reclassifications impacting Level 3 financial instruments are reported as transfers into or out of the Level 3 category as of the beginning of the quarter in which the transfer occurs. Therefore gains and losses in income only reflect activity for the period the instrument was classified in Level 3.

Transfers into or out of the Level 3 category occur when unobservable inputs, such as the Company's best estimate of what a market participant would use to determine a current transaction price, become more or less significant to the fair value measurement. For the three months ended March 31, 2013 and March 31, 2012, transfers between Level 2 and Level 3 primarily reflect the change in significance of the unobservable inputs used to value certain public and private corporate bonds, principally related to liquidity of the securities and credit risk of the issuers.

Because GMIB reinsurance arrangements remain in effect at the reporting date, the Company has reflected the total gain or loss for the period as the total gain or loss included in income attributable to instruments still held at the reporting date. However, the Company reduces the GMIB assets and liabilities resulting from these reinsurance arrangements when annuitants lapse, die, elect their benefit, or reach the age after which the right to elect their benefit expires.

Separate account assets

Fair values and changes in the fair values of separate account assets generally accrue directly to the policyholders and are excluded from the Company's revenues and expenses. As of March 31, 2013 and December 31, 2012 separate account assets were as follows:

March 31, 2013 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Guaranteed separate accounts (See Note 17)	$ 247	$ 310	$ -	$ 557
Non-guaranteed separate accounts [(1)]	1,880	4,502	1,011	7,393
Total separate account assets	**$ 2,127**	**$ 4,812**	**$ 1,011**	**$ 7,950**

(1) As of March 31, 2013, non-guaranteed separate accounts included $3.5 billion in assets supporting the Company's pension plans, including $960 million classified in Level 3.

December 31, 2012 *(In millions)*	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total**
Guaranteed separate accounts (See Note 17)	$ 245	$ 324	$ -	$ 569
Non-guaranteed separate accounts [(1)]	1,925	4,258	1,005	7,188
Total separate account assets	$ 2,170	$ 4,582	$ 1,005	$ 7,757

(1) As of December 31, 2012, non-guaranteed separate accounts included $3.4 billion in assets supporting the Company's pension plans, including $956 million classified in Level 3.

Separate account assets in Level 1 include exchange-listed equity securities. Level 2 assets primarily include:

- corporate and structured bonds valued using recent trades of similar securities or pricing models that discount future cash flows at estimated market interest rates as described above; and
- actively-traded institutional and retail mutual fund investments and separate accounts priced using the daily net asset value which is the exit price.

Separate account assets classified in Level 3 include investments primarily in securities partnerships, real estate and hedge funds generally valued based on the separate account's ownership share of the equity of the investee including changes in the fair values of its underlying investments.

The following tables summarize the changes in separate account assets reported in Level 3 for the three months ended March 31, 2013 and March 31, 2012.

	Three Months Ended March 31,	
(In millions)	2013	2012
Balance at January 1	$ 1,005	$ 750
Policyholder gains [(1)]	7	18
Purchases, sales and settlements:		
Purchases	31	184
Sales	-	-
Settlements	(30)	(11)
Total purchases, sales and settlements	1	173
Transfers into/(out of) Level 3:		
Transfers into Level 3	-	3
Transfers out of Level 3	(2)	(1)
Total transfers into/(out of) Level 3	(2)	2
Balance at March 31,	**$ 1,011**	**$ 943**

(1) Included in this amount are gains of $7 million attributable to instruments still held at March 31, 2013 and gains of $12 million attributable to instruments still held at March 31, 2012.

Assets and Liabilities Measured at Fair Value under Certain Conditions

Some financial assets and liabilities are not carried at fair value each reporting period, but may be measured using fair value only under certain conditions, such as investments in real estate entities and commercial mortgage loans when they become impaired. During the three months ended March 31, 2013, there were no write-downs for real estate entities or commercial mortgage loans.

For the three months ended March 31, 2012, impaired mortgage loans representing less than 1% of total investments were written down to their fair values resulting in realized investment losses of $2 million after tax.

Fair Value Disclosures for Financial Instruments Not Carried at Fair Value

Most financial instruments that are subject to fair value disclosure requirements are carried in the Company's Consolidated Financial Statements at amounts that approximate fair value. The following table provides the fair values and carrying values of the Company's financial instruments not recorded at fair value that are subject to fair value disclosure requirements at March 31, 2013 and December 31, 2012.

	Classification in	March 31, 2013		December 31, 2012	
(In millions)	the Fair Value Hierarchy	Fair Value	Carrying Value	Fair Value	Carrying Value
Commercial mortgage loans	Level 3	$ 2,943	$ 2,811	$ 2,999	$ 2,851
Contractholder deposit funds, excluding universal life products	Level 3	$ 1,084	$ 1,059	$ 1,082	$ 1,056
Long-term debt, including current maturities, excluding capital leases	Level 2	$ 5,767	$ 4,986	$ 5,821	$ 4,986

The fair values presented in the table above have been estimated using market information when available. The following is a description of the valuation methodologies and inputs used by the Company to determine fair value.

Commercial mortgage loans . The Company estimates the fair value of commercial mortgage loans generally by discounting the contractual cash flows at estimated market interest rates that reflect the Company's assessment of the credit quality of the loans. Market interest rates are derived by calculating the appropriate spread over comparable U.S. Treasury rates, based on the property type, quality rating and average life of the loan. The quality ratings reflect the relative risk of the loan, considering debt service coverage, the loan-to-value ratio and other factors. Fair values of impaired mortgage loans are based on the estimated fair value of the underlying collateral generally determined using an internal discounted cash flow model. The fair value measurements were classified in Level 3 because the cash flow models incorporate significant unobservable inputs.

Contractholder deposit funds, excluding universal life products . Generally, these funds do not have stated maturities. Approximately 55% of these balances can be withdrawn by the customer at any time without prior notice or penalty. The fair value for these contracts is the amount estimated to be payable to the customer as of the reporting date, which is generally the carrying value. Most of the remaining contractholder deposit funds are reinsured by the buyers of the individual life and annuity and retirement benefits businesses. The fair value for these contracts is determined using the fair value of these buyers' assets supporting these reinsured contracts. The Company had a reinsurance recoverable equal to the carrying value of these reinsured contracts . These instruments were classified in Level 3 because certain inputs are unobservable (supported by little or no market activity) and significant to their resulting fair value measurement.

Long-term debt, including current maturities, excluding capital leases . The fair value of long-term debt is based on quoted market prices for recent trades. When quoted market prices are not available, fair value is estimated using a discounted cash flow analysis and the Company's estimated current borrowing rate for debt of similar terms and remaining maturities. These measurements were classified in Level 2 because the fair values are based on quoted market prices or other inputs that are market observable or can be corroborated by market data.

Fair values of off-balance-sheet financial instruments were not material.

Note 9 — Investments

Total Realized Investment Gains and Losses

The following total realized gains and losses on investments include other-than-temporary impairments on debt securities, but exclude amounts required to adjust future policy benefits for the run-off settlement annuity business:

	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Fixed maturities	$ 67	$ 12
Equity securities	3	4
Commercial mortgage loans	-	(3)
Real estate	-	(1)
Other investments, including derivatives	69	1
Realized investment gains before income taxes	139	13
Less income taxes	46	1
Net realized investment gains	**$ 93**	**$ 12**

Included in pre-tax realized investment gains (losses) above were changes in valuation reserves, asset write-downs and other-than-temporary impairments on fixed maturities as follows:

	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Credit-related (1)	**$ -**	$ (5)
Other	-	(1)
Total	**$ -**	**$ (6)**

(1) Credit related losses include other-than-temporary declines in fair value of fixed maturities and changes in valuation reserves related to commercial mortgage loans. There were no credit losses on fixed maturities for which a portion of the impairment was recognized in other comprehensive income.

Fixed Maturities and Equity Securities

Securities in the following table are included in fixed maturities and equity securities on the Company's Consolidated Balance Sheets. These securities are carried at fair value with changes in fair value reported in other realized investment gains (losses) and interest and dividends reported in net investment income. The Company's hybrid investments include preferred stock or debt securities with call or conversion features.

(In millions)		**As of March 31, 2013**		**As of December 31, 2012**
Included in fixed maturities:				
Trading securities (amortized cost: $1; $1)	$	1	$	1
Hybrid securities (amortized cost: $15; $15)		15		15
Total	**$**	**16**	$	16
Included in equity securities:				
Hybrid securities (amortized cost: $76; $84)	$	63	$	70

The following information about fixed maturities excludes trading and hybrid securities. The amortized cost and fair value by contractual maturity periods for fixed maturities were as follows at March 31, 2013:

(In millions)		**Amortized Cost**		**Fair Value**
Due in one year or less	$	1,149	$	1,169
Due after one year through five years		5,042		5,472
Due after five years through ten years		4,695		5,319
Due after ten years		2,666		3,520
Mortgage and other asset-backed securities		963		1,104
Total	**$**	**14,515**	**$**	**16,584**

Actual maturities could differ from contractual maturities because issuers may have the right to call or prepay obligations, with or without penalties. Also, in some cases the Company may extend maturity dates.

Gross unrealized appreciation (depreciation) on fixed maturities (excluding trading securities and hybrid securities with a fair value of $16 million at March 31, 2013 and December 31, 2012) by type of issuer is shown below.

	March 31, 2013			
(In millions)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
Federal government and agency	$ 482	$ 365	$ -	$ 847
State and local government	2,148	254	(1)	2,401
Foreign government	1,125	118	(1)	1,242
Corporate	9,797	1,212	(18)	10,991
Federal agency mortgage-backed	106	1	-	107
Other mortgage-backed	77	10	(4)	83
Other asset-backed	780	135	(2)	913
Total	**$ 14,515**	**$ 2,095**	**$ (26)**	**$ 16,584**

(In millions)	December 31, 2012			
Federal government and agency	$ 509	$ 393	$ -	$ 902
State and local government	2,169	270	(2)	2,437
Foreign government	1,197	126	(1)	1,322
Corporate	10,590	1,308	(17)	11,881
Federal agency mortgage-backed	121	1	-	122
Other mortgage-backed	82	11	(4)	89
Other asset-backed	797	145	(6)	936
Total	**$ 15,465**	**$ 2,254**	**$ (30)**	**$ 17,689**

The above table includes investments with a fair value of $3 billion supporting the Company's run-off settlement annuity business, with gross unrealized appreciation of $816 million and gross unrealized depreciation of $6 million at March 31, 2013. Such unrealized amounts are required to support future policy benefit liabilities of this business and, as such, are not included in accumulated other comprehensive income. At December 31, 2012, investments supporting this business had a fair value of $3.1 billion, gross unrealized appreciation of $883 million and gross unrealized depreciation of $8 million.

Sales information for available-for-sale fixed maturities and equity securities was as follows:

	Three Months Ended March 31,	
(In millions)	2013	2012
Proceeds from sales	$ 961	$ 221
Gross gains on sales	$ 60	$ 15
Gross losses on sales	$ 2	$ -

Review of declines in fair value . Management reviews fixed maturities with a decline in fair value from cost for impairment based on criteria that include:

- length of time and severity of decline;
- financial health and specific near term prospects of the issuer;
- changes in the regulatory, economic or general market environment of the issuer's industry or geographic region; and
- the Company's intent to sell or the likelihood of a required sale prior to recovery.

Excluding trading and hybrid securities, as of March 31, 2013, fixed maturities with a decline in fair value from amortized cost (primarily corporate, and other asset and mortgage-backed securities) were as follows, including the length of time of such decline:

(In millions)	Fair Value	Amortized Cost	Unrealized Depreciation	Number of Issues
Fixed maturities:				
One year or less:				
Investment grade	$ 454	$ 461	$ (7)	168
Below investment grade	$ 117	$ 118	$ (1)	88
More than one year:				
Investment grade	$ 183	$ 194	$ (11)	59
Below investment grade	$ 28	$ 35	$ (7)	12

The unrealized depreciation of investment grade fixed maturities is due primarily to increases in market yields since purchase. There were no equity securities with a fair value significantly lower than cost as of March 31, 2013.

Commercial Mortgage Loans

Mortgage loans held by the Company are made exclusively to commercial borrowers and are diversified by property type, location and borrower. Loans are secured by high quality, primarily completed and substantially leased operating properties, generally carried at unpaid principal balances and issued at a fixed rate of interest.

Credit quality . The Company applies a consistent and disciplined approach to evaluating and monitoring credit risk, beginning with the initial underwriting of a mortgage loan and continuing throughout the investment holding period. Mortgage origination professionals employ an internal rating system developed from the Company's experience in real estate investing and mortgage lending. A quality rating, designed to evaluate the relative risk of the transaction, is assigned at each loan's origination and is updated each year as part of the annual portfolio loan review. The Company monitors credit quality on an ongoing basis, classifying each loan as a loan in good standing, potential problem loan or problem loan.

Quality ratings are based on internal evaluations of each loan's specific characteristics considering a number of key inputs, including real estate market-related factors such as rental rates and vacancies, and property-specific inputs such as growth rate assumptions and lease rollover statistics. However, the two most significant contributors to the credit quality rating are the debt service coverage and loan-to-value ratios. The debt service coverage ratio measures the amount of property cash flow available to meet annual interest and principal payments on debt. A debt service coverage ratio below 1.0 indicates that there is not enough cash flow to cover the loan payments. The loan-to-value ratio, commonly expressed as a percentage, compares the amount of the loan to the fair value of the underlying property collateralizing the loan.

The following tables summarize the credit risk profile of the Company's commercial mortgage loan portfolio based on loan-to-value and debt service coverage ratios, as of March 31, 2013 and December 31, 2012:

(In millions)	March 31, 2013					
	Debt Service Coverage Ratio					
Loan-to-Value Ratios	**1.30x or Greater**	**1.20x to 1.29x**	**1.10x to 1.19x**	**1.00x to 1.09x**	**Less than 1.00x**	**Total**
Below 50%	$ 295	$ 7	$ -	$ 50	$ -	$ 352
50% to 59%	589	104	25	52	-	770
60% to 69%	576	74	-	66	-	716
70% to 79%	116	142	132	22	16	428
80% to 89%	100	42	130	-	58	330
90% to 99%	14	30	-	-	58	102
100% or above	-	-	30	17	66	113
Total	**$ 1,690**	**$ 399**	**$ 317**	**$ 207**	**$ 198**	**$ 2,811**

(In millions)	December 31, 2012					
	Debt Service Coverage Ratio					
Loan-to-Value Ratios	**1.30x or Greater**	**1.20x to 1.29x**	**1.10x to 1.19x**	**1.00x to 1.09x**	**Less than 1.00x**	**Total**
Below 50%	$ 297	$ 8	$ -	$ 50	$ -	$ 355
50% to 59%	614	104	25	52	-	795
60% to 69%	562	75	-	66	-	703
70% to 79%	194	143	132	4	16	489
80% to 89%	45	42	131	18	58	294
90% to 99%	14	30	-	-	58	102
100% or above	-	-	30	17	66	113
Total	**$ 1,726**	**$ 402**	**$ 318**	**$ 207**	**$ 198**	**$ 2,851**

The Company's annual in-depth review of its commercial mortgage loan investments is the primary mechanism for identifying emerging risks in the portfolio. The most recent review was completed by the Company's investment professionals in the second quarter of 2012 and included an analysis of each underlying property's most recent annual financial statements, rent rolls, operating plans, budgets, a physical inspection of the property and other pertinent factors. Based on historical results, current leases, lease expirations and rental conditions in each market, the Company estimates the current year and future stabilized property income and fair value, and categorizes the investments as loans in good standing, potential problem loans or problem loans. Based on property valuations and cash flows estimated as part of this review, and considering updates for loans where material changes were subsequently identified, the portfolio's average loan-to-value ratio remained at 65% at March 31, 2013 when compared to December 31, 2012. The portfolio's average debt service coverage ratio was estimated to be 1.55 at March 31, 2013, an insignificant decrease from 1.56 at December 31, 2012.

Quality ratings are adjusted between annual reviews if new property information is received or events such as delinquency or a borrower's request for restructure cause management to believe that the Company's estimate of financial performance, fair value or the risk profile of the underlying property has been impacted.

During 2012, the Company restructured a $119 million problem mortgage loan, net of a valuation reserve, into two notes carried at $100 million and $19 million. The $100 million note was reclassified to impaired commercial mortgage loans with no valuation reserves and the $19 million note was classified as an other long-term investment. This modification was considered a troubled debt restructuring because the borrower was experiencing financial difficulties and an interest rate concession was granted. No valuation reserve was required because the fair value of the underlying property equaled the carrying value of the outstanding loan. Following the restructuring, the $100 million note was paid down by $46 million with the remaining $54 million note reclassified to good standing based on an improved quality rating due to significant improvements in its loan-to-value and debt service coverage ratios resulting from the annual loan review.

Other loans were modified during the three months ended March 31, 2013 and the twelve months ended December 31, 2012, but were not considered troubled debt restructures. The impact of modifications to these loans was not material to the Company's results of operations, financial condition or liquidity.

Potential problem mortgage loans are considered current (no payment more than 59 days past due), but exhibit certain characteristics that increase the likelihood of future default. The characteristics management considers include, but are not limited to, the deterioration of debt service coverage below 1.0, estimated loan-to-value ratios increasing to 100% or more, downgrade in quality rating and request from the borrower for restructuring. In addition, loans are considered potential problems if principal or interest payments are past due by more than 30 but less than 60 days. Problem mortgage loans are either in default by 60 days or more or have been restructured as to terms, which could include concessions on interest rate, principal payment or maturity date. The Company monitors each problem and potential problem mortgage loan on an ongoing basis, and updates the loan categorization and quality rating when warranted.

Problem and potential problem mortgage loans, net of valuation reserves, totaled $215 million at both March 31, 2013 and December 31, 2012. At March 31, 2013 and December 31, 2012, mortgage loans located in the South Atlantic region represented the most significant component of problem and potential problem mortgage loans, with no significant concentration by property type.

Impaired commercial mortgage loans. A commercial mortgage loan is considered impaired when it is probable that the Company will not collect all amounts due (principal and interest) according to the terms of the original loan agreement. The Company assesses each loan individually for impairment, using the information obtained from the quality review process discussed above. Impaired loans are carried at the lower of unpaid principal balance or the fair value of the underlying real estate. Certain commercial mortgage loans without valuation reserves are considered impaired because the Company will not collect all interest due according to the terms of the original agreements; however, the Company does expect to recover their remaining carrying value primarily because it is less than the fair value of the underlying real estate.

The carrying value of the Company's impaired commercial mortgage loans and related valuation reserves were as follows:

	March 31, 2013			December 31, 2012		
(In millions)	**Gross**	**Reserves**	**Net**	**Gross**	**Reserves**	**Net**
Impaired commercial mortgage loans with valuation reserves	$ 72	$ (7)	$ 65	$ 72	$ (7)	$ 65
Impaired commercial mortgage loans with no valuation reserves	60	-	60	60	-	60
Total	**$ 132**	**$ (7)**	**$ 125**	$ 132	$ (7)	$ 125

The average recorded investment in impaired loans was $132 million at March 31, 2013 and $201 million at March 31, 2012. The Company recognizes interest income on problem mortgage loans only when payment is actually received because of the risk profile of the underlying investment. Interest income that would have been reflected in net income if interest on non-accrual commercial mortgage loans had been received in accordance with the original terms was not significant for the three months ended March 31, 2013 or 2012. Interest income on impaired commercial mortgage loans was not significant for the three months ended March 31, 2013 or 2012.

The following table summarizes the changes in valuation reserves for commercial mortgage loans:

(In millions)	**2013**	**2012**
Reserve balance, January 1,	$ 7	$ 19
Increase in valuation reserves	-	3
Transfers to other long-term investments	-	(16)
Reserve balance, March 31,	**$ 7**	**$ 6**

Short-term investments and cash equivalents. Short-term investments and cash equivalents include corporate securities of $1.9 billion, federal government securities of $189 million and money market funds of $67 million as of March 31, 2013. The Company's short-term investments and cash equivalents as of December 31, 2012 included corporate securities of $1.1 billion, federal government securities of $167 million and money market funds of $217 million.

Note 10 — Derivative Financial Instruments

The Company uses derivative financial instruments to manage the characteristics of investment assets to meet the varying demands of the related insurance and contractholder liabilities. The Company has written and purchased reinsurance contracts under its Run-off Reinsurance segment that are accounted for as free standing derivatives. The Company also used derivative financial instruments to manage the equity, foreign currency, and certain interest rate risk exposures of its Run-off Reinsurance segment until February 4, 2013 (for further information, see Note 6). See Note 2 to the Financial Statements contained in the Company's 2012 Form 10-K for information on the Company's accounting policy for derivative financial instruments. Derivatives in the Company's separate accounts are excluded from the following discussion because associated gains and losses generally accrue directly to separate account policyholders.

Collateral and termination features. The Company routinely monitors exposure to credit risk associated with derivatives and diversifies the portfolio among approved dealers of high credit quality to minimize this risk. Certain of the Company's over-the-counter derivative instruments contain provisions requiring either the Company or the counterparty to post collateral or demand immediate payment depending on the amount of the net liability position and predefined financial strength or credit rating thresholds. Collateral posting requirements vary by counterparty. The net liability positions of these derivatives were not material as of March 31, 2013 or December 31, 2012.

Derivative instruments used in the Company's investment risk management.

Derivative financial instruments are used by the Company as a part of its investment strategy to manage the characteristics of investment assets (such as duration, yield, currency and liquidity) to meet the varying demands of the related insurance and contractholder liabilities (such as paying claims, investment returns and withdrawals). Derivatives are typically used in this strategy to reduce interest rate and foreign currency risks.

Investment Cash Flow Hedges

Purpose. The Company uses interest rate, foreign currency, and combination (interest rate and foreign currency) swap contracts to hedge the interest and foreign currency cash flows of its fixed maturity bonds to match associated insurance liabilities.

Accounting policy. Using cash flow hedge accounting, fair values are reported in other long-term investments or other liabilities and accumulated other comprehensive income and amortized into net investment income or reported in other realized investment gains and losses as interest or principal payments are received.

Cash flows . Under the terms of these various contracts, the Company periodically exchanges cash flows between variable and fixed interest rates and/or between two currencies for both principal and interest. Foreign currency swaps are primarily Euros, Australian dollars, Canadian dollars, Japanese yen, and British pounds, and have terms for periods of up to 8 years. Net interest cash flows are reported in operating activities.

Volume of activity. The following table provides the notional values of these derivative instruments for the indicated periods:

	Notional Amount *(In millions)*	
Instrument	**As of March 31, 2013**	**As of December 31, 2012**
Interest rate swaps	$ 50	$ 58
Foreign currency swaps	133	133
Combination interest rate and foreign currency swaps	64	64
Total	**$ 247**	**$ 255**

The following table provides the effect of these derivative instruments on the financial statements for the indicated periods:

Fair Value Effect on the Financial Statements *(In millions)*

	Other Long-Term Investments		Accounts Payable, Accrued Expenses and Other Liabilities		Gain (Loss) Recognized in Other Comprehensive Income (1)	
	As of March 31,	As of December 31,	As of March 31,	As of December 31,	For the three months ended March 31,	
Instrument	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Interest rate swaps	$ 3	$ 4	$ -	$ -	$ (1)	$ -
Foreign currency swaps	3	1	14	18	4	(3)
Combination interest rate and foreign currency swaps	-	-	14	13	(1)	(1)
Total	**$ 6**	**$ 5**	**$ 28**	**$ 31**	**$ 2**	**$ (4)**

(1) Other comprehensive income for foreign currency swaps excludes amounts required to adjust future policy benefits for the run-off settlement annuity business.

For the three months ended March 31, 2013 and 2012, the gains (losses) reclassified from accumulated other comprehensive income into net income were not material. No gains (losses) were recognized due to hedge ineffectiveness and no amounts were excluded from the assessment of hedge effectiveness.

Derivative instruments associated with the Company's Run-off Reinsurance segment.

As explained in Note 6, on February 4, 2013, the Company entered into an agreement to effectively exit the GMIB and GMDB business. As a result, the following disclosures related to derivative instruments associated with the GMIB and GMDB business are provided for context, including a description of the derivative accounting for the GMIB contracts. Cash flows on derivative instruments associated with the GMIB and GMDB business are reported in operating activities.

Guaranteed Minimum Income Benefits (GMIB)

As described further in Note 6, in 2013, the Company effectively exited the GMIB business by purchasing additional reinsurance coverage for these contracts. The fair value effects on the financial statements are included in Note 8 and the volume of activity is included in Note 17.

Purpose. The Company has written reinsurance contracts with issuers of variable annuity contracts that provide annuitants with certain guarantees of minimum income benefits resulting from the level of variable annuity account values compared with a contractually guaranteed amount ("GMIB liabilities"). According to the contractual terms of the written reinsurance contracts, payment by the Company depends on the actual account value in the underlying mutual funds and the level of interest rates when the contractholders elect to receive minimum income payments.

GMDB and GMIB Hedge Programs

As a result of the reinsurance agreement with Berkshire to effectively exit the GMDB and GMIB business, the GMDB and GMIB hedge programs were terminated beginning February 4, 2013. See Note 6 for further details regarding this business.

Note 11 — Variable Interest Entities

When the Company becomes involved with a variable interest entity and when the nature of the Company's involvement with the entity changes, in order to determine if the Company is the primary beneficiary and must consolidate the entity, it evaluates:

- the structure and purpose of the entity;
- the risks and rewards created by and shared through the entity; and
- the entity's participants' ability to direct its activities, receive its benefits and absorb its losses. Participants include the entity's sponsors, equity holders, guarantors, creditors and servicers.

In the normal course of its investing activities, the Company makes passive investments in securities that are issued by variable interest entities for which the Company is not the sponsor or manager. These investments are predominantly asset-backed securities primarily collateralized by foreign bank obligations or mortgage-backed securities. The asset-backed securities largely represent fixed-rate debt securities issued by trusts that hold perpetual floating-rate subordinated notes issued by foreign banks. The mortgage-backed securities represent senior interests in pools of commercial or residential mortgages created and held by special-purpose entities to provide investors with diversified exposure to these assets. The Company owns senior securities issued by several entities and receives fixed-rate cash flows from the underlying assets in the pools.

In order to provide certain services to its Medicare Advantage customers, the Company contracts with independent physician associations (IPAs) that are variable interest entities. Physicians provide health care services to the Medicare Advantage customers and the Company provides medical management and administrative services to the IPAs.

The Company is not the primary beneficiary and does not consolidate these entities because either:

- it had no power to direct the activities that most significantly impact the entities' economic performance; or
- it had neither the right to receive benefits nor the obligation to absorb losses that could be significant to these variable interest entities.

The Company has not provided, and does not intend to provide, financial support to these entities that it is not contractually required to provide. The Company performs ongoing qualitative analyses of its involvement with these variable interest entities to determine if consolidation is required. The Company's maximum potential exposure to loss related to the investment entities is limited to the carrying amount of its investment reported in fixed maturities and equity securities, and its aggregate ownership interest is insignificant relative to the total principal amount issued by these entities. The Company's maximum exposure to loss related to the IPA arrangements is limited to the liability for incurred but not reported claims for the Company's Medicare Advantage customers. These liabilities are not material and are generally secured by deposits maintained by the IPAs.

Note 12 — Pension and Other Postretirement Benefit Plans

The Company and certain of its subsidiaries provide pension, health care and life insurance defined benefits to eligible retired employees, spouses and other eligible dependents through various domestic and foreign plans. The effect of its foreign pension and other postretirement benefit plans is immaterial to the Company's results of operations, liquidity and financial position.

During the first quarter of 2013, the Company announced two changes to its postretirement medical plan that the Company intends to implement as follows:

- Effective March 31, 2013, the Company froze active employees' future benefit accruals. A curtailment of benefits occurred as a result of this action because benefits for future services for active employees in the plan were eliminated. Accordingly, during the first quarter of 2013, the Company recorded a pre-tax curtailment gain of $19 million ($12 million after-tax) in net income to recognize the remaining prior service cost.
- In the first quarter of 2013, the Company also announced a change in the cost sharing arrangement with retirees for pharmacy subsidy payments received from the U.S. Government effective January 1, 2014. As a result of this plan amendment, the plan was re-measured as of March 31, 2013 resulting in a reduced other post retirement benefit obligation of $57 million. This reduction was recorded in accumulated other comprehensive income, net of deferred taxes, resulting in an after-tax increase to shareholders' equity of $37 million.

For the three months ended March 31, 2013, the Company's unrecognized actuarial losses and prior service costs (reported in accumulated other comprehensive income) decreased by $61 million pre-tax in the aggregate ($40 million after-tax) resulting in an increase in shareholders' equity. This change was primarily a result of the plan amendment described above and normal amortization, partially offset by the effect of the curtailment.

As a result of these actions, changes in the Company's disclosures at December 31, 2012 were as follows:

- The Company disclosed in Note 10 to the Consolidated Financial Statements in its 2012 Form 10-K that it expected to record pre-tax amortization of prior service costs of $9 million in 2013. The Company had been amortizing these unrecognized gains over a weighted average remaining amortization period of approximately 2.5 years. As a result of the plan changes announced in the first quarter, pre-tax amortization for 2013 is now expected to be $4 million. The $57 million negative prior service cost resulting from the plan amendment is being amortized over the average life expectancy of frozen plan participants of approximately 25 years.

Pension and Other Postretirement Benefits . Components of net pension and net other postretirement benefit costs were as follows:

	Pension Benefits		**Other Postretirement Benefits**	
	Three Months Ended March 31,		**Three Months Ended March 31,**	
(In millions)	**2013**	**2012**	**2013**	**2012**
Service cost	$ 1	$ 1	$ -	$ -
Interest cost	45	49	3	4
Expected long-term return on plan assets	(68)	(67)	-	-
Amortization of:				
Net loss from past experience	19	15	-	-
Prior service cost	-	-	(2)	(3)
Curtailment gain	-	-	(19)	-
Settlement loss	-	6	-	-
Net cost	**$ (3)**	**$ 4**	**$ (18)**	**$ 1**

The Company funds its domestic qualified pension plans at least at the minimum amount required by the Pension Protection Act of 2006. For the three months ended March 31, 2013, the Company contributed $6 million that was required. During the remainder of 2013, the Company expects to make additional contributions of $244 million.

Note 13 — Debt

Short-term and long-term debt were as follows:

(In millions)		March 31, 2013		December 31, 2012
Short-term:				
Commercial paper	$	400	$	200
Current maturities of long-term debt		-		1
Total short-term debt	**$**	**400**	**$**	**201**
Long-term:				
Uncollateralized debt:				
2.75% Notes due 2016	$	600	$	600
5.375% Notes due 2017		250		250
6.35% Notes due 2018		131		131
8.5% Notes due 2019		251		251
4.375% Notes due 2020		249		249
5.125% Notes due 2020		299		299
6.37% Notes due 2021		78		78
4.5% Notes due 2021		299		299
4% Notes due 2022		743		743
7.65% Notes due 2023		100		100
8.3% Notes due 2023		17		17
7.875% Debentures due 2027		300		300
8.3% Step Down Notes due 2033		83		83
6.15% Notes due 2036		500		500
5.875% Notes due 2041		298		298
5.375% Notes due 2042		750		750
Other		47		38
Total long-term debt	**$**	**4,995**	**$**	**4,986**

As described in Note 3, the Company acquired HealthSpring on January 31, 2012. At the acquisition date, HealthSpring had $326 million of debt outstanding. In accordance with debt covenants, HealthSpring's debt obligation was paid immediately following the acquisition. This repayment is reported as a financing activity in the statement of cash flows for the three months ended March 31, 2012.

In December 2012, the Company extended the life of its June 2011 five-year revolving credit and letter of credit agreement for $1.5 billion, that permits up to $500 million to be used for letters of credit. This agreement is diversified among 16 banks, with 3 banks each having 12% of the commitment and the remainder spread among 13 banks. The credit agreement includes options that are subject to consent by the administrative agent and the committing banks, to increase the commitment amount to $2 billion and to extend the term past December 2017. The credit agreement is available for general corporate purposes, including as a commercial paper backstop and for the issuance of letters of credit. This agreement has certain covenants, including a financial covenant requiring the Company to maintain a total debt-to-adjusted capital ratio at or below 0.50 to 1.00. As of March 31, 2013, the Company had $5.0 billion of borrowing capacity within the maximum debt coverage covenant in the agreement in addition to the $5.4 billion of debt outstanding. There were letters of credit of $66 million issued as of March 31, 2013.

The Company was in compliance with its debt covenants as of March 31, 2013.

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Note 14 — Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss excludes amounts required to adjust future policy benefits for the run-off settlement annuity business and a portion of deferred acquisition costs associated with the corporate owned life insurance business. As required by ASU 2013-02, the Company parenthetically identifies the income statement line item affected by reclassification adjustments in the table below. Changes in the components of accumulated other comprehensive loss were as follows:

(In millions)	Pre-Tax	Tax (Expense) Benefit	After-Tax
Three Months Ended March 31, 2013			
Net unrealized depreciation, securities:			
Net unrealized depreciation on securities arising during the period	$ (36)	$ 12	$ (24)
Reclassification adjustment for (gains) included in shareholders' net income (realized investment gains)	(70)	24	(46)
Net unrealized depreciation, securities	$ (106)	$ 36	$ (70)
Net unrealized appreciation, derivatives	$ 4	$ (1)	$ 3
Net translation of foreign currencies	$ (69)	$ 11	$ (58)
Postretirement benefits liability adjustment:			
Reclassification adjustment for amortization of net losses from past experience and prior service costs (other operating expenses)	$ 17	$ (6)	$ 11
Reclassification adjustment for curtailment (other operating expenses)	(19)	7	(12)
Total reclassification adjustments to shareholders' net income (other operating expenses)	(2)	1	(1)
Net change due to valuation update and plan amendments	63	(22)	41
Net postretirement benefits liability adjustment	$ 61	$ (21)	$ 40
Three Months Ended March 31, 2012			
Net unrealized appreciation, securities:			
Net unrealized appreciation on securities arising during the period	$ 51	$ (16)	$ 35
Reclassification adjustment for (gains) included in shareholders' net income (realized investment gains)	(16)	5	(11)
Net unrealized appreciation, securities	$ 35	$ (11)	$ 24
Net unrealized depreciation, derivatives	$ (6)	$ 1	$ (5)
Net translation of foreign currencies	$ 43	$ (8)	$ 35
Postretirement benefits liability adjustment:			
Reclassification adjustment for amortization of net losses from past experience and prior service costs (other operating expenses)	$ 12	$ (5)	$ 7
Reclassification adjustment for settlement loss (other operating expenses)	6	(2)	4
Net postretirement benefits liability adjustment	$ 18	$ (7)	$ 11

Note 15 — Income Taxes

A. Income Tax Expense

The Company permanently reinvests the undistributed earnings of certain foreign operations overseas. As a result, income taxes are provided on the earnings of these operations using the respective foreign jurisdictions' tax rates, as compared to the higher U.S. statutory tax rate. In the first quarter of 2012, the Company began computing income taxes attributable to its China and Indonesia operations using this method. The Company continues to evaluate the permanent reinvestment of earnings for additional foreign jurisdictions.

Shareholders' net income for the three months ended March 31, 2013 increased by $12 million due to the permanent reinvestment of foreign operations earnings, and increased $17 million for the three months ended March 31, 2012 that included $13 million due to the first quarter implementation for the Company's China and Indonesia operations. The permanent reinvestment of foreign operation earnings has resulted in cumulative unrecognized deferred tax liabilities of $131 million through March 31, 2013.

B. Unrecognized Tax Benefits

Unrecognized tax benefits decreased for the three months ended March 31, 2013 by $4 million, including a $4 million decrease to shareholders' net income.

The Company has determined it is at least reasonably possible that within the next twelve months there could be a significant change in the level of unrecognized tax benefits, dependent upon the development of IRS related matters. Any changes are not expected to have a material impact on shareholders' net income.

C. Other Tax Matters

The Company's long standing dispute with the IRS for tax years 2004 through 2006, regarding the appropriate reserve methodology for certain reinsurance contracts has now been effectively resolved. On February 28, 2013 the United States Tax Court entered its decision on this issue for the 2004 tax year, ordering and deciding that the Company has an overpayment of tax. The Tax Court's opinion for the 2004 year issued on September 13, 2012, referenced an IRS representation that it would not challenge the reserving methodology in future tax years, thereby providing certainty that the Company may continue to use its current reserve methodology prospectively. The Tax Court had entered its decision on this issue for the 2005 and 2006 tax years on January 9, 2013, concluding that the Company has no tax deficiency.

The IRS continues with its examination of the Company's 2009 and 2010 consolidated federal income tax returns. This review is expected to be completed in 2013, and is not expected to have a material impact on shareholder's net income.

The American Taxpayer Act of 2012 was signed into law on January 2, 2013. This legislation retroactively extended for 2012, as well as for 2013, several otherwise expired corporate tax provisions from which the Company benefits. The Company recorded immaterial tax benefits specific to extension of these provisions for 2012 in the first quarter of 2013.

Note 16 — Segment Information

Effective December 31, 2012, Cigna changed its external reporting segments based on changes in the Company's internal reporting structure that reflect the realignment of its businesses to better leverage distribution and service delivery capabilities for the benefit of its global clients and customers. The Company's results are now aggregated based on the nature of the Company's products and services, rather than its geographies. Prior period segment information has been conformed to the current presentation.

As a result of these changes, the financial results of Cigna's businesses are now reported in the following segments:

Global Health Care aggregates the following two operating segments:

- The ***Commercial*** operating segment includes both the U.S. commercial and international health care businesses that offer insured and self-insured medical, dental, behavioral health, vision, and prescription drug benefit plans, health advocacy programs and other products and services that may be integrated to provide comprehensive global health care benefit programs to employers and their employees, including globally mobile individuals. Cigna, either directly or through its partners, offers some or all of these products and services in all 50 states, the District of Columbia, the U.S. Virgin Islands, Canada, Europe, the Middle East, and Asia. Cigna services its globally mobile customers virtually everywhere in the world. These products and services are offered through a variety of funding arrangements such as administrative services only (ASO), guaranteed cost and retrospectively experience rated.

- The ***Government*** operating segment offers Medicare Advantage plans to seniors in 15 states and the District of Columbia, Medicare Part D plans in all 50 states and the District of Columbia and Medicaid plans.

Global Supplemental Benefits includes supplemental health, life and accident insurance products offered in the U.S. and foreign markets, primarily in Asia as well as Medicare supplemental coverage following the 2012 acquisition of Great American Supplemental Benefits.

Group Disability and Life represents group disability, life and accident insurance products, including certain disability and life insurance business previously reported in the former Health Care segment.

Run-off Reinsurance is predominantly comprised of GMDB and GMIB business that was ceded to Berkshire on February 4, 2013.

The Company also reports results in two other categories.

Other Operations consist of:

- corporate-owned life insurance ("COLI");
- deferred gains recognized from the 1998 sale of the individual life insurance and annuity business and the 2004 sale of the retirement benefits business; and
- run-off settlement annuity business.

Corporate reflects amounts not allocated to other segments, such as net interest expense (defined as interest on corporate debt less net investment income on investments not supporting segment operations), interest on uncertain tax positions, certain litigation matters, intersegment eliminations, compensation cost for stock options, expense associated with the Company's frozen pension plans, certain corporate project costs and corporate overhead expenses such as directors' expenses.

The Company measures the financial results of its segments using "segment earnings (loss)", which is defined as shareholders' net income (loss) excluding after-tax realized investment gains and losses.

Summarized segment financial information was as follows:

	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Premiums and fees, Mail order pharmacy revenues and Other revenues		
Global Health Care	**$ 6,297**	$ 5,306
Global Supplemental Benefits	**612**	452
Group Disability and Life	**858**	763
Run-off Reinsurance	**(37)**	(90)
Other Operations	**38**	39
Corporate	**(11)**	(17)
Total	**$ 7,757**	$ 6,453
Shareholders' net income		
Global Health Care	**$ 427**	$ 276
Global Supplemental Benefits	**55**	43
Group Disability and Life	**(2)**	68
Run-off Reinsurance	**(483)**	30
Other Operations	**21**	20
Corporate	**(54)**	(78)
Segment earnings (loss)	**(36)**	359
Realized investment gains, net of taxes	**93**	12
Shareholders' net income	**$ 57**	**$ 371**

Concentration of risk. For the Company's Global Supplemental Benefits segment, South Korea is the single largest geographic market. South Korea generated 50% of the segment's revenues and 74% of the segment's earnings for the three months ended March 31, 2013. Due to the concentration of business in South Korea, the Global Supplemental Benefits segment is exposed to potential losses resulting from economic, regulatory and geopolitical developments in that country, as well as foreign currency movements affecting the South Korean currency, that could have a significant impact on the segment's results and the Company's consolidated financial results.

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Note 17 — Contingencies and Other Matters

Financial Guarantees

The Company, through its subsidiaries, is contingently liable for various financial guarantees provided in the ordinary course of business. The Company does not expect that these financial guarantees will have a material adverse effect on the Company's consolidated results of operations, liquidity or financial condition.

Guarantees associated with retirement and life insurance contracts . Separate account assets are contractholder funds maintained in accounts with specific investment objectives. The Company records separate account liabilities equal to separate account assets. In certain cases, including contracts associated with the sold retirement benefits business (that was sold in April 2004), the Company guarantees a minimum level of benefits for retirement and insurance contracts written in separate accounts. The Company establishes an additional liability if management believes that the Company will be required to make a payment under these guarantees.

The Company guarantees that separate account assets will be sufficient to pay certain retiree or life benefits. The sponsoring employers are primarily responsible for ensuring that assets are sufficient to pay these benefits and are required to maintain assets that exceed a certain percentage of benefit obligations. This percentage varies depending on the asset class within a sponsoring employer's portfolio (for example, a bond fund would require a lower percentage than a riskier equity fund) and thus will vary as the composition of the portfolio changes. If employers do not maintain the required levels of separate account assets, the Company or an affiliate of the buyer has the right to redirect the management of the related assets to provide for benefit payments. As of March 31, 2013, employers maintained assets that exceeded the benefit obligations. Benefit obligations under these arrangements were $548 million as of March 31, 2013. Approximately 19% of these guarantees are reinsured by an affiliate of the buyer of the retirement benefits business. The remaining guarantees are provided by the Company with minimal reinsurance from third parties. There were no additional liabilities required for these guarantees as of March 31, 2013. Separate account assets supporting these guarantees are classified in Levels 1 and 2 of the GAAP fair value hierarchy. See Note 8 for further information on the fair value hierarchy.

Guaranteed minimum income benefit (GMIB) contracts. Effective with the reinsurance agreement entered into on February 4, 2013, the Company has retrocessional coverage in place that covers the exposures on these contracts. See Notes 6, 8 and 10 for further information on GMIB contracts. Under these guarantees, the future payment amounts are dependent on equity and bond fund market and interest rate levels prior to and at the date of annuitization election that must occur within 30 days of a policy anniversary after the appropriate waiting period. Therefore, the future payments are not fixed and determinable under the terms of the contract. Accordingly, the Company's maximum potential undiscounted future payment of $990 million was determined using the following hypothetical assumptions:

- no annuitants surrendered their accounts;
- all annuitants lived to elect their benefit;
- all annuitants elected to receive their benefit on the next available date (2013 through 2018); and
- all underlying mutual fund investment values remained at the March 31, 2013 value of $1.1 billion with no future returns.

The Company bears the risk of loss if its GMIB retrocessionaires do not meet or are unable to meet their reinsurance obligations to the Company.

Certain other guarantees. The Company had indemnification obligations to lenders of up to $288 million as of March 31, 2013, related to borrowings by certain real estate joint ventures that the Company either records as an investment or consolidates. These borrowings, that are nonrecourse to the Company, are secured by the joint ventures' real estate properties with fair values in excess of the loan amounts and mature at various dates beginning in 2013 through 2042. The Company's indemnification obligations would require payment to lenders for actual damages resulting from certain acts such as unauthorized ownership transfers, misappropriation of rental payments by others or environmental damages. Based on initial and ongoing reviews of property management and operations, the Company does not expect that payments will be required under these indemnification obligations. Any payments that might be required could be recovered through a refinancing or sale of the assets. In some cases, the Company also has recourse to partners for their proportionate share of amounts paid. There were no liabilities required for these indemnification obligations as of March 31, 2013.

The Company guaranteed that it would compensate the lessors for a shortfall of up to $41 million in the market value of certain leased equipment at the end of the lease. Guarantees of $16 million expire in 2016 and $25 million expire in 2022. The Company had liabilities for these guarantees of $3 million as of March 31, 2013.

The Company had indemnification obligations as of March 31, 2013 in connection with acquisition, disposition and reinsurance exit transactions. These indemnification obligations are triggered by the breach of representations or covenants provided by the Company, such as representations for the presentation of financial statements, actuarial models, the filing of tax returns, compliance with law or the identification of outstanding litigation. These obligations are typically subject to various time limitations, defined by the contract or by operation of law, such as statutes of limitation. In some cases, the maximum potential amount due is subject to contractual limitations, while in other cases limitations are not specified or applicable. The Company does not believe that it is possible to determine the maximum potential amount due under these obligations, because not all amounts due under these indemnification obligations are subject to limitation. There were no liabilities required for these indemnification obligations as of March 31, 2013.

Guaranty Fund Assessments

The Company operates in a regulatory environment that may require the Company to participate in assessments under state insurance guaranty association laws. The Company's exposure for certain obligations of insolvent insurance companies to policyholders and claimants to assessments is based on its share of business it writes in the relevant jurisdictions. For the three months ended March 31, 2013 and 2012, charges related to guaranty fund assessments were not material to the Company's results of operations.

The Company is aware of an insurer that is in rehabilitation, an intermediate action before insolvency. In 2012, the state court denied the regulator's amended petitions for liquidation and set forth specific requirements and a deadline for the regulator to develop a plan of rehabilitation without liquidating the insurer. The regulator has appealed the court's decision. If the state court's decision is reversed and the insurer is declared insolvent and placed in liquidation, the Company and other insurers may be required to pay a portion of policyholder claims through guaranty fund assessments from various states in which the Company's insurance subsidiaries write premiums. Based on current information available, in the event of a reversal of the state court decision and liquidation of the insurer, the Company has estimated that potential future assessments could result in future charges totaling approximately $60 million after-tax. The Company will continue to monitor the outcome of the courts' deliberations.

Legal and Regulatory Matters

The Company is routinely involved in numerous claims, lawsuits, regulatory and IRS audits, investigations and other legal matters arising, for the most part, in the ordinary course of managing a health services business, including payments to providers and benefit level disputes. Legal actions include benefit claims, breach of contract claims, tort claims, provider disputes, disputes regarding reinsurance arrangements, employment and employment discrimination-related suits, employee benefit claims, wage and hour claims, tax matters, privacy, intellectual property claims and real estate related disputes. Litigation of income tax matters is accounted for under FASB's accounting guidance for uncertainty in income taxes. Further information on income tax matters can be found in Note 15. Also, there are currently, and may be in the future, attempts to bring class action lawsuits against the industry.

The business of administering and insuring health services programs, particularly health care and group insurance programs, is heavily regulated by federal and state laws and administrative agencies, such as state departments of insurance and the U.S. Departments of Labor and Justice, as well as the courts. Health care regulation and legislation in its various forms, including the implementation of the Patient Protection and Affordable Care Act, other regulatory reform initiatives, such as those relating to Medicare programs, or additional changes in existing laws or regulations or their interpretations, could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, there is heightened review by federal and state regulators of the health care, disability and life insurance industry business and related reporting practices. Cigna is frequently the subject of regulatory market conduct reviews and other examinations of its business and reporting practices, audits and investigations by state insurance and health and welfare departments, state attorneys general, the Center for Medicare and Medicaid Services (CMS) and the Office of Inspector General (OIG). With respect to Cigna's Medicare Advantage business, CMS and OIG perform audits to determine a health plan's compliance with federal regulations and contractual obligations, including compliance with proper coding practices (sometimes referred to as Risk Adjustment Data Validation Audits or RADV audits), that may result in retrospective adjustments to payments made to health plans. Cigna's expansion of its Medicare business with the acquisition of HealthSpring in 2012 may increase the risks the Company faces from lawsuits, regulatory audits, investigations and other legal or regulatory matters. Regulatory actions can result in assessments, civil or criminal fines or penalties or other sanctions, including loss of licensing or exclusion from participation in government programs.

Regulation, legislation and judicial decisions have resulted in changes to industry and the Company's business practices, financial liability or other sanctions and will continue to do so in the future.

The outcome of litigation and other legal or regulatory matters is always uncertain, and unfavorable outcomes that are not justified by the evidence or existing law can occur. The Company believes that it has valid defenses to the matters pending against it and is defending itself vigorously.

When the Company (in the course of its regular review of pending litigation and legal or regulatory matters) has determined that a material loss is reasonably possible, the matter is disclosed. In accordance with GAAP, when litigation and regulatory matters present loss contingencies that are both probable and estimable, the Company accrues the estimated loss by a charge to income. The amount accrued represents the Company's best estimate of the probable loss at the time. If only a range of estimated losses can be determined, the Company accrues an amount within the range that, in the Company's judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, the Company accrues the minimum amount of the range. In cases that the Company has accrued an estimated loss, the accrued amount may differ materially from the ultimate amount of the relevant costs. In many proceedings, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any loss. The Company provides disclosure in the aggregate for material pending litigation and legal or regulatory matters, including accruals, range of loss, or a statement that such information cannot be estimated. As a litigation or regulatory matter develops, the Company monitors the matter for further developments that could affect the amount previously accrued, if any, and updates such amount accrued or disclosures previously provided as appropriate.

Except as otherwise noted, the Company believes that the legal actions, regulatory matters, proceedings and investigations currently pending against it should not have a material adverse effect on the Company's results of operation, financial condition or liquidity based upon current knowledge and taking into consideration current accruals. However, in light of the uncertainties involved in these matters, there is no assurance that their ultimate resolution will not exceed the amounts currently accrued by the Company. An adverse outcome in one or more of these matters could be material to the Company's results of operation, financial condition or liquidity for any particular period.

Litigation Matters

As of March 31, 2013, the Company had accrued pre-tax reserves of $189 million ($123 million after-tax) for the matters discussed below. Due to numerous uncertain factors presented in these cases, it is not possible to estimate an aggregate range of loss (if any) for these matters at this time.

Amara cash balance pension plan litigation. On December 18, 2001, Janice Amara filed a class action lawsuit, captioned *Janice C. Amara, Gisela R. Broderick, Annette S. Glanz, individually and on behalf of all others similarly situated v. Cigna Corporation and Cigna Pension Plan*, in the United States District Court for the District of Connecticut against Cigna Corporation and the Cigna Pension Plan on behalf of herself and other similarly situated participants in the Cigna Pension Plan affected by the 1998 conversion to a cash balance formula. The plaintiffs allege various ERISA violations including, among other things, that the Plan's cash balance formula discriminates against older employees; the conversion resulted in a wear away period (when the pre-conversion accrued benefit exceeded the post-conversion benefit); and these conditions are not adequately disclosed in the Plan.

In 2008, the court issued a decision finding in favor of Cigna Corporation and the Cigna Pension Plan on the age discrimination and wear away claims. However, the court found in favor of the plaintiffs on many aspects of the disclosure claims and ordered an enhanced level of benefits from the existing cash balance formula for the majority of the class, requiring class members to receive their frozen benefits under the pre-conversion Cigna Pension Plan and their post-1997 accrued benefits under the post-conversion Cigna Pension Plan. The court also ordered, among other things, pre-judgment and post-judgment interest.

Both parties appealed the court's decisions to the United States Court of Appeals for the Second Circuit that issued a decision on October 6, 2009 affirming the District Court's judgment and order on all issues. On January 4, 2010, both parties filed separate petitions for a writ of certiorari to the United States Supreme Court. Cigna's petition was granted, and on May 16, 2011, the Supreme Court issued its Opinion in which it reversed the lower courts' decisions and remanded the case to the trial judge for reconsideration of the remedy. The Court unanimously agreed with the Company's position that the lower courts erred in granting a remedy for an inaccurate plan description under an ERISA provision that allows only recovery of plan benefits. However, the decision identified possible avenues of "appropriate equitable relief" that plaintiffs may pursue as an alternative remedy. The case was returned to the trial court and hearings took place on December 9, 2011 and March 29-30, 2012. Over the summer, the trial judge passed away after a long illness and the case was re-assigned.

On December 20, 2012, the new trial judge issued a decision awarding equitable relief to the class. The court's order requires the Company to reform the pension plan to provide a substantially identical remedy to that ordered by the first trial judge in 2008. Both parties appealed the order and the judge stayed implementation of the order pending resolution of the appeals. In light of the re-affirmed remedy ordered by the District Court, the Company was required to re-evaluate its reserve for this case. Due to the current economic environment of low interest rates that have a significant impact on the valuation of potential future pension benefits, the Company was required to increase its reserve for this matter in the fourth quarter of 2012. The Company will continue to vigorously defend its position in this case.

Ingenix. On February 13, 2008, State of New York Attorney General Andrew M. Cuomo announced an industry-wide investigation into the use of data provided by Ingenix, Inc., a subsidiary of UnitedHealthcare, used to calculate payments for services provided by out-of-network providers. The Company received four subpoenas from the New York Attorney General's office in connection with this investigation and responded appropriately. On February 17, 2009, the Company entered into an Assurance of Discontinuance resolving the investigation. In connection with the industry-wide resolution, the Company contributed $10 million to the establishment of a new non-profit company that now compiles and provides the data formerly provided by Ingenix.

The Company was named as a defendant in a number of putative nationwide class actions asserting that due to the use of data from Ingenix, Inc., the Company improperly underpaid claims, an industry-wide issue. All of the class actions were consolidated into *Franco v. Connecticut General Life Insurance Company et al.,* which is pending in the United States District Court for the District of New Jersey. The consolidated amended complaint, filed on August 7, 2009, asserts claims under ERISA, the RICO statute, the Sherman Antitrust Act and New Jersey state law on behalf of subscribers, health care providers and various medical associations.

On September 23, 2011, the court granted in part and denied in part the Company's motion to dismiss the consolidated amended complaint. The court dismissed all claims by the health care provider and medical association plaintiffs for lack of standing to sue, and as a result the case proceeded only on behalf of subscribers. In addition, the court dismissed all of the antitrust claims, the ERISA claims based on disclosure and the New Jersey state law claims. The court did not dismiss the ERISA claims for benefits and claims under the RICO statute.

Plaintiffs filed a motion to certify a nationwide class of subscriber plaintiffs on December 19, 2011, that was denied on January 16, 2013. Plaintiffs petitioned for an immediate appeal of the order denying class certification, but their petition was denied by the United States Court of Appeals for the Third Circuit on March 14, 2013, meaning that plaintiffs cannot appeal the denial of class certification until there is a final judgment in the case. As a result, the case is proceeding in the District Court on behalf of the named plaintiffs only.

It is reasonably possible that others could initiate additional litigation or additional regulatory action against the Company with respect to use of data provided by Ingenix, Inc. The Company denies the allegations asserted in the investigations and litigation and will vigorously defend itself in these matters.

Regulatory Matters

Disability claims regulatory matter. Over the past few years, there has been heightened review by state regulators of the claims handling practices within the disability and life insurance industry. This has resulted in an increase in coordinated multi-state examinations that target specific market practices in lieu of regularly recurring examinations of an insurer's overall operations conducted by an individual state's regulators. The Company has been subject to such an examination and on March 14, 2013, reached an agreement in principle with the Departments of Insurance for Maine, Massachusetts, Pennsylvania, Connecticut and California (together, the "monitoring states") related to its long-term disability claims handling practices.

The agreement in principle requires, among other things: (1) enhanced claims handling procedures related to documentation and disposition which are similar to those imposed on other companies through regulatory actions or settlements; (2) monitoring the Company's implementation of these procedures during a two-year period following the execution date of the agreement; and (3) a reassessment of claims denied or closed during a two-year period, except California for which the period is three years. While the principal terms of the agreement have been negotiated and documented, the Company remains in discussion with the regulators and a final, regulatory settlement agreement has not yet been fully executed.

In connection with the terms of the agreement in principle, in the first quarter of 2013, the Company recorded a charge of $77 million before-tax ($51 million after-tax) that is comprised of two elements: (1) $48 million of benefit costs and reserves from reassessed claims expected to be reopened, including an expected $925,000 in fines, $750,000 in regulatory surcharges and $9.5 million in claims handling expenses; and (2) $29 million in additional costs for open claims as a result of the claims handling changes being implemented. This charge is reported in the Group Disability and Life segment. The Company will be subject to re-examination 24 months after the effective date of the final agreement. If the monitoring states find material non-compliance with the terms of the agreement upon re-examination, the Company may be subject to additional fines or penalties.

Although the agreement with the Departments of Insurance has not been finalized, the charge recorded in the quarter is based on management's best estimate of: the final terms of the agreement, the jurisdictions in which it will be applicable, and the impact that implementation of the agreement will have on the Company's Group Disability and Life operations. While there could be adjustments to the charge in future periods if management's estimates are revised, the Company does not expect that any variation or additional loss related to already incurred claims would have a material adverse effect on the Company's consolidated results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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INTRODUCTION

As used in this document, "Cigna" the "Company", "we" and "our" may refer to Cigna Corporation itself, one or more of its subsidiaries, or Cigna Corporation and its consolidated subsidiaries. The Company is a global health services organization with a mission to help its customers improve their health, well-being and sense of security. Its insurance subsidiaries are major providers of medical, dental, disability, life and accident insurance and related products and services, the majority of which are offered through employers and other groups (e.g. governmental and non-governmental organizations, unions and associations). Cigna also offers Medicare and Medicaid products and health, life and accident insurance coverages primarily to individuals in the U.S. and selected international markets. In addition to its ongoing operations described above, Cigna also has certain run-off operations, including a Run-off Reinsurance segment.

In this filing and in other marketplace communications, the Company makes certain forward-looking statements relating to the Company's financial condition and results of operations, as well as to trends and assumptions that may affect the Company. Generally, forward-looking statements can be identified through the use of predictive words (e.g., "Outlook for 2013"). Actual results may differ materially from the Company's predictions. Some factors that could cause results to differ are discussed throughout Management's Discussion and Analysis ("MD&A"), including in the Cautionary Statement beginning on page 71. The forward-looking statements contained in this filing represent management's current estimate as of the date of this filing. Management does not assume any obligation to update these estimates.

The following discussion addresses the financial condition of the Company as of March 31, 2013, compared with December 31, 2012, and its results of operations for the three months ended March 31, 2013 compared with the same period last year. This discussion should be read in conjunction with the MD&A included in the Company's 2012 Form 10-K filed on February 28, 2013.

The preparation of interim consolidated financial statements necessarily relies heavily on estimates. This and certain other factors, such as the seasonal nature of portions of the health care and related benefits business, as well as competitive and other market conditions, call for caution in estimating full year results based on interim results of operations.

Unless otherwise indicated, financial information in the MD&A is presented in accordance with accounting principles generally accepted in the United States ("GAAP").

Effective December 31, 2012, Cigna changed its external reporting segments based on changes in the Company's internal reporting structure that reflect the realignment of its businesses to better leverage distribution and service delivery capabilities for the benefit of our global clients and customers. The Company's results are now aggregated based on the nature of the Company's products and services, rather than its geographies.

As a result of these changes, the financial results of Cigna's businesses are now reported in the following segments:

- Global Health Care aggregates the following two operating segments:
  - Commercial (including the international health care business)
  - Government
- Global Supplemental Benefits
- Group Disability and Life
- Run-off Reinsurance and
- Other Operations, including Corporate-owned Life Insurance.

Prior year segment information has been conformed to the new segment structure.

Business Strategy

For information on the Company's business strategy, see the strategy section of the Company's 2012 Form 10-K. The Company's ability to increase revenue, shareholders' net income and operating cash flows from ongoing operations is directly related to progress in executing its strategy as well as other key factors, including the Company's ability to:

- profitably underwrite and price products and services at competitive levels that manage risk and reflect emerging experience;
- cross sell its various health and related benefit products;
- invest available cash at attractive rates of return for appropriate durations; and
- effectively deploy capital.

In addition to the Company-specific factors cited above, overall results are influenced by a range of economic and other factors, especially:

- cost trends and inflation for medical and related services;
- utilization patterns of medical and other services;
- employment levels;
- the tort liability system;
- developments in the political environment both domestically and internationally, including sequestration and U.S. Health Care Reform;
- interest rates, equity market returns, foreign currency fluctuations and credit market volatility, including the availability and cost of credit in the future;
- Medicare reimbursement rates issued by the Centers for Medicare and Medicaid Services ("CMS"), including the bonus structure based on CMS performance ratings; and
- federal, state and international regulation.

The Company regularly monitors the trends impacting operating results from the above mentioned key factors to appropriately respond to economic and other factors affecting its operations, both in its ongoing and run-off operations.

Run-off Operations

Prior to February 4, 2013, the Company's run-off reinsurance operations had significant exposures, primarily from its guaranteed minimum death benefits ("GMDB", also known as "VADBe") and guaranteed minimum income benefits ("GMIB") business. Effective February 4, 2013, the Company entered into an agreement to reinsure the Company's future exposures for this business, net of retrocessional arrangements in place prior to February 4, 2013, up to a specified limit. See Note 6 to the Consolidated Financial Statements and the Run-off Reinsurance section of this MD&A for additional information. As a result of this transaction, the Company recorded an after-tax charge of $507 million that is reported as a special item.

Realignment and Efficiency Plan

During the third quarter of 2012, the Company, in connection with the execution of its strategy, committed to a series of actions to further improve its organizational alignment, operational effectiveness, and efficiency. As a result, the Company recognized charges in other operating expenses of $77 million pre-tax ($50 million after-tax) in the third quarter of 2012, consisting primarily of severance costs. The Company expects to realize annualized after-tax savings of approximately $60 million, the majority of which is expected to be reinvested in the business in order to enhance the Company's ability to provide superior service and affordable products to our customers.

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CONSOLIDATED RESULTS OF OPERATIONS

The Company measures the financial results of its segments using "segment earnings (loss)", that is defined as shareholders' net income (loss) before after-tax realized investment results. Adjusted income (loss) from operations is defined as consolidated segment earnings (loss) excluding special items (described in the table below) and results of the GMIB business. Adjusted income (loss) from operations is another measure of profitability used by the Company's management because it presents the underlying results of operations of the Company's businesses and permits analysis of trends in underlying revenue, expenses and shareholders' net income. This measure is not determined in accordance with accounting principles generally accepted in the United States ("GAAP") and should not be viewed as a substitute for the most directly comparable GAAP measure that is shareholders' net income.

The Company excludes special items because management does not believe they are representative of the Company's underlying results of operations. The Company also excludes the results of the GMIB business because, prior to February 4, 2013, the changes in the fair value of GMIB assets and liabilities were volatile and unpredictable.

Summarized below is a reconciliation between shareholders' net income and adjusted income from operations.

FINANCIAL SUMMARY	**Three Months Ended March 31,**	
(In millions)	**2013**	**2012**
Premiums and fees	**$ 7,314**	$ 6,107
Net investment income	**287**	288
Mail order pharmacy revenues	**425**	386
Other revenues	**18**	(40)
Total realized investment gains	**139**	13
Total revenues	**8,183**	6,754
Benefits and expenses	**8,109**	6,202
Income before taxes	**74**	552
Income taxes	**15**	181
Net income	**59**	371
Less: net income attributable to redeemable noncontrolling interest	**2**	-
Shareholders' net income	**57**	371
Less: realized investment gains, net of taxes	**93**	12
Segment earnings (loss)	**(36)**	359
Less: adjustments to reconcile to adjusted income from operations:		
Results of GMIB business (after-tax)	**25**	41
Special items (after-tax):		
Charge related to reinsurance transaction (See Note 6 to the Consolidated Financial Statements)	**(507)**	-
Charge for disability claims regulatory matter (See Note 17 to the Consolidated Financial Statements)	**(51)**	-
Costs associated with acquisitions (See Note 3 to the Consolidated Financial Statements)	**-**	(28)
Litigation matter (See Note 17 to the Consolidated Financial Statements)	**-**	(13)
Adjusted income from operations	**$ 497**	$ 359

Summarized below is adjusted income from operations by segment and other key consolidated financial data:

(In millions)	Three Months Ended March 31, 2013	2012
Adjusted Income (Loss) From Operations		
Global Health Care	**$ 427**	$ 296
Global Supplemental Benefits	**55**	43
Group Disability and Life	**49**	68
Run-off Reinsurance	**(1)**	(11)
Other Operations	**21**	20
Corporate	**(54)**	(57)
Total	**$ 497**	$ 359
Other Key Consolidated Financial Data		
Global Medical customers (*in thousands)*	**14,322**	13,865
Cash (used in) / provided by operating activities	**$ (805)**	$ 941
Shareholders' equity	**$ 9,660**	$ 8,561

Results of Operations

- ***Consolidated Revenues*** increased 21% for the three months ended March 31, 2013 compared with the same period last year due to an additional month of revenue contribution from HealthSpring in 2013 and higher premiums and fees in each of the Company's ongoing businesses reflecting continued growth in targeted market segments.

- ***Shareholders' net income*** decreased 85% for the three months ended March 31, 2013, primarily reflecting the $507 million after-tax charge associated with the February 4, 2013 reinsurance agreement with Berkshire and the $51 million after-tax charge related to the disability claims regulatory matter, partially offset by higher adjusted income from operations and increased realized investment gains.

- ***Adjusted income from operations*** increased 38% for the three months ended March 31, 2013, largely attributable to earnings growth in Global Health Care and Global Supplemental Benefits due to revenue growth and effective expense management, partially offset by lower earnings in Group Disability and Life.

- ***Medical customers*** increased 3% compared with the same period last year, primarily driven by continued growth in our targeted customer segments.

Liquidity and Financial Condition

During the three months ended March 31, 2013, the following items affected the Company's liquidity and financial condition:

- ***Cash used in operating activities*** included payments totaling approximately $1.5 billion to Berkshire in the first quarter of 2013 (see below). Excluding that item, cash flows from operating activities decreased by $271 million primarily due to the timing of receipts for Medicare Advantage and certain Medicare Part D programs. In the first quarter of 2012 the Company received approximately $760 million of reimbursements relating to the second quarter. In 2013, such second quarter amounts were not received until April. Partially offsetting this decrease were the favorable effects of higher adjusted income from operations and business growth in the ongoing operating segments during the first quarter of 2013. See the Liquidity and Capital Resources section of the MD&A for additional information.

- ***Reinsurance agreement with Berkshire.*** In the first quarter of 2013, the Company entered into an agreement with Berkshire to reinsure the GMDB and GMIB business for a reinsurance premium of $2.2 billion. Approximately $1.5 billion of the reinsurance premium was paid in the first quarter of 2013; the remainder was paid by April 30, 2013. The amount paid in the first quarter of 2013 was primarily funded by asset sales, commercial paper borrowings and tax benefits. See the "Liquidity and Capital Resources" section of this MD&A for additional information.

- ***Pension Plan Contributions.*** During the first quarter of 2013, the Company contributed to its pension plans $6 million of the $250 million planned for 2013. Approximately $80 million of the remaining $244 million planned contributions is required. See Note 12 to the Consolidated Financial Statements for additional information.

- ***Share Repurchase.*** The Company repurchased 1.6 million shares of stock for $97 million in the first quarter of 2013. See the Liquidity and Capital Resources section of this MD&A for additional information.

Cash at the parent company as of March 31, 2013 was approximately $620 million. Shareholders' equity increased since the first quarter of 2012, reflecting strong earnings in the last nine months of 2012 and the first quarter of 2013.

Outlook for 2013

The Company expects 2013 consolidated adjusted income from operations to be higher than 2012 results, reflecting the strong adjusted income from operations in the first quarter of 2013 and expected continuing solid performance through the remainder of 2013. This outlook considers items discussed in the "Industry Developments" section of this MD&A related to sequestration and the disability claims regulatory matter. Information is not available for management to reasonably estimate realized investment results, or the financial impact of any additional special items in 2013.

The Company's outlook for 2013 is subject to the factors cited above and in the Cautionary Statement of this Form 10-Q and the sensitivities discussed in the 2012 Form 10-K Critical Accounting Estimates section of the MD&A. The Company could experience losses related to investment impairments resulting from unfavorable credit deterioration and equity market and interest rate movements. These losses could adversely impact the Company's consolidated results of operations and financial condition and liquidity by potentially reducing the capital of the Company's insurance subsidiaries and reducing their dividend-paying capabilities.

Revenues

Total revenues increased 21% for the three months ended March 31, 2013, compared with the same periods in 2012, reflecting the following:

Premiums and Fees

Premiums and fees increased 20% for the three months ended March 31, 2013, compared with the same period in 2012 due to an additional month of premiums and fees from HealthSpring and continued growth in targeted market segments of the Global Health Care business, as well as acquisitions and business growth in the Global Supplemental Benefits segment and business growth in Group Disability and Life segment.

Net Investment Income

Net investment income was flat for the three months ended March 31, 2013, compared with the same periods in 2012, primarily reflecting lower yields, partially offset by higher average investment assets.

Mail Order Pharmacy Revenues

Mail order pharmacy revenues increased 10% for the three months ended March 31, 2013 compared with the same period of 2012, primarily reflecting higher prescription volume for injectible medications, partially offset by price decreases related to a shift to generic oral medications from brand names.

Other Revenues

Other revenues included pre-tax losses of $39 million for the three months ended March 31, 2013, compared with $95 million for the three months ended March 31, 2012, related to futures and swaps entered into as part of a dynamic hedge program to manage equity and growth interest rate risks in the Company's run-off reinsurance operations. See the Run-off Reinsurance section of the MD&A beginning on page 58 for more information on this program.

Excluding the impact of these swaps and futures contracts, other revenues increased 4% for the three months ended March 31, 2013, compared with the same period in 2012.

Realized Investment Results

Realized investment results increased significantly for the three months ended March 31, 2013, compared with the same period last year, primarily due to a gain on the sale of a real estate joint venture, higher gains on sales of fixed maturities largely to fund the February 4, 2013 reinsurance transaction and lower impairment losses. See Note 9 to the Consolidated Financial Statements for additional information.

Effective Tax Rate

The consolidated effective tax rate for the three months ended March 31, 2013 was 20%, which compares to 33% for the comparable period of 2012. The considerably lower effective tax rate for 2013 was attributable to significantly reduced pre-tax income, resulting from charges in both the Run-off Reinsurance and Group Disability and Life segments (see Notes 6 and 17 to the Consolidated Financial Statements). Therefore, the effective tax rate for the period was largely driven by foreign earnings for which income taxes have been provided using the various foreign jurisdictions' tax rates, that are lower than the U.S. statutory rate (see Note 15 to the Consolidated Financial Statements). These charges also caused a greater proportion of the residual U.S. earnings attributable to tax-exempt investment income, further reducing the effective tax rate. The Company anticipates that the consolidated effective tax rate will realign with historical trends during the balance of 2013.

INDUSTRY DEVELOPMENTS

Disability Claims Regulatory Matter

Over the past few years, there has been heightened review by state regulators of the claims handling practices within the disability and life insurance industry. This has resulted in an increase in coordinated multi-state examinations that target specific market practices in lieu of regularly recurring examinations of an insurer's overall operations conducted by an individual state's regulators. The Company has been subject to such an examination and on March 14, 2013, reached an agreement in principle with the Departments of Insurance for Maine, Massachusetts, Pennsylvania, Connecticut and California (together, the "monitoring states") related to its long-term disability claims handling practices.

The agreement in principle requires, among other things: (1) enhanced claims handling procedures related to documentation and disposition which are similar to those imposed on other companies through regulatory actions or settlements; (2) monitoring the Company's implementation of these procedures during a two-year period following the execution date of the agreement; and (3) a reassessment of claims denied or closed during a two-year period, except California for which the period is three years. While the principal terms of the agreement have been negotiated and documented, the Company remains in discussion with the regulators and a final, regulatory settlement agreement has not yet been fully executed.

In connection with the terms of the agreement in principle, in the first quarter of 2013, the Company recorded a charge of $77 million before-tax ($51 million after-tax) that is comprised of two elements: (1) $48 million of benefit costs and reserves from reassessed claims expected to be reopened, including an expected $925,000 in fines, $750,000 in regulatory surcharges and $9.5 million in claims handling expenses; and (2) $29 million in additional costs for open claims as a result of the claims handling changes being implemented. This charge is reported in the Group Disability and Life segment. The Company will be subject to re-examination 24 months after the effective date of the final agreement. If the monitoring states find material non-compliance with the terms of the agreement upon re-examination, the Company may be subject to additional fines or penalties.

Although the agreement with the Departments of Insurance has not been finalized, the charge recorded in the quarter is based on management's best estimate of: the final terms of the agreement, the jurisdictions in which it will be applicable, and the impact that implementation of the agreement will have on the Company's Group Disability and Life operations. While there could be adjustments to the charge in future periods if management's estimates are revised, the Company does not expect that any variation or additional loss related to already incurred claims would have a material adverse effect on the Company's consolidated results of operations.

The Company's changes in business practices related to this matter, together with the challenging environment in the disability insurance industry, could have a material adverse effect on full-year 2013 earnings in the Group Disability and Life segment, but are not expected to be material to consolidated results of operations. The Company has recently introduced modest long-term disability margin improvement actions, in part, to offset the impact of the change in business practices being implemented while remaining competitive. The effects of these actions will emerge as new business is sold and existing policies are renewed over the next few years.

Sequestration

On March 31, 2013, a sequestration order, under the Budget Control Act of 2011 was issued including reductions in payments to Medicare Advantage (MA) and Prescription Drug Program (PDP) carriers. Effective April 1, 2013, payments to MA and PDP carriers are reduced by 2%, with the reduction expected to remain in place through 2021. The lower rates will impact the Company's revenue, and could be somewhat mitigated by reductions to medical cost reimbursements to health care providers. The Company does not expect the overall earnings impact to be material to consolidated results of operations.

Medicare Advantage Reimbursement Rates for 2014

On April 1, 2013, the Centers for Medicare and Medicaid Services (CMS) issued the final Announcement of Calendar Year 2014 Medicare Advantage Benchmark Rates and Payment Policies. The Company is still assessing the notice, and expects to consider the impact in proposed bids to CMS in the second quarter of 2013. Actual Medicare Advantage enrollment, revenues and earnings for 2014 will depend on the competitiveness of the products offered, as well as the Company's ability to manage costs. The Company cautions that 2014 consolidated results from operations could vary materially from prior periods.

Health Care Reform

In the first quarter of 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act ("Health Care Reform") were signed into law. Most of the law's provisions are already effective while others will take effect from 2014 to 2018. The Company has implemented the provisions of Health Care Reform that are currently in effect (including the commercial minimum medical loss ratio requirements) and continues its implementation planning for those provisions that must be implemented in the future. Management is currently unable to estimate the full impact of Health Care Reform on the Company's future results of operations, and its financial condition and liquidity due to uncertainties related to interpretation, implementation and timing of its many provisions. It is possible, however, that certain provisions of Health Care Reform could have a material impact on future results of operations.

Commercial minimum medical loss ratio ("MLR") requirements became effective in January 2011, requiring payment of premium rebates beginning in 2012 to policyholders or, in some cases, group health plan participants with respect to the Company's comprehensive commercial medical insurance and HMO plans if certain annual minimum loss ratios are not met. The Company recorded its rebate accrual based on estimated medical loss ratios calculated as prescribed by the U.S. Department of Health and Human Services ("HHS") using full-year premium and claim information by state and market segment for each legal entity that issues comprehensive medical insurance policies or service agreements. HHS regulations permit adjustments to the claims used in the calculation for Cigna's international health care and limited benefits plans subject to the MLR minimums. The adjustments for limited benefit plans are only allowed through 2014. HHS recently issued sub-regulatory guidance that provides expatriate health coverage transitional relief from Health Care Reform (including the MLR requirements) through plan years ending on or before December 31, 2015.

Health Care Reform imposes new fees on health insurers that first become payable in 2013 and 2014. In 2013, the Company expects to make its first payment for the comparative effectiveness research fee, a $1 per insured customer levy. In 2014, the health insurance industry fee and the reinsurance surcharge become effective. The health insurance industry fee will not be tax deductible; therefore, the Company's effective tax rate is expected to be adversely impacted in future periods. The amount of the fees is expected to be material. While the Company anticipates recovering most of the fees through rate increases, because the 2014 pricing environment remains uncertain, management is unable to estimate the impact on shareholders' net income.

Health Care Reform also impacts Cigna's Medicare Advantage and Medicare Part D prescription drug plan businesses acquired with HealthSpring in a variety of additional ways, including reduced Medicare premium rates (that began with the 2011 contract year), mandated minimum reductions to risk scores (beginning in 2014), transition of Medicare Advantage "benchmark" rates to Medicare fee-for-service parity, reduced enrollment periods and limitations on disenrollment, providing "quality bonuses" for Medicare Advantage plans with a rating of four or five stars from CMS, and mandated consumer discounts on brand name and generic prescription drugs for Medicare Part D plan participants in the coverage gap. Beginning in 2014, Health Care Reform requires Medicare Advantage and Medicare Part D plans to meet a minimum MLR of 85%. Under the rules proposed by HHS, if the MLR for a CMS contract is less than 85%, the contractor is required to pay a penalty to CMS and could be subject to additional sanctions if the MLR continues to be less than 85% for successive years.

Effective in 2014, each state is required to have a health insurance exchange for individuals and small employer groups to purchase insurance coverage, with enrollment processes scheduled to commence in October of 2013. These exchanges may either be state-based, a state and federal partnership, or federally facilitated. In the ten states where the Company currently offers individual coverage, most exchanges will be federally facilitated. Cigna will continue to evaluate its potential participation in these exchanges in each market as they develop.

Management continues to closely monitor the implementation of Health Care Reform and is actively engaged with regulators and policymakers on the conversion of legislation to regulation. In addition, management is implementing the necessary capabilities to ensure that the Company is compliant with the law and assessing potential opportunities arising from Health Care Reform. These opportunities include the continued evolution and innovation of our broad health and wellness portfolio to improve the health and productivity of our customers, as well as the expansion of our physician collaboration capabilities to improve the quality of care and service experience for our customers while lowering costs and improving overall value.

For additional information regarding Health Care Reform, see the “Regulation” section of the Company’s 2012 Form 10-K.

CRITICAL ACCOUNTING ESTIMATES

The preparation of Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures in the Consolidated Financial Statements. Management considers an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material effect on the Company’s consolidated results of operations or financial condition.

Management has discussed the development and selection of its critical accounting estimates and reviewed the disclosures presented below with the Audit Committee of the Company’s Board of Directors.

The Company’s most critical accounting estimates, as well as the effects of hypothetical changes in material assumptions used to develop each estimate, are described in the 2012 Form 10-K:

- goodwill;
- Global Health Care medical claims payable;
- accounts payable, accrued expenses and other liabilities – pension liabilities; and
- valuation of fixed maturity investments.

The Company regularly evaluates items that may impact critical accounting estimates. As of March 31, 2013, there are no significant changes to the critical accounting estimates from what was reported in the 2012 Form 10-K.

Summary

There are other accounting estimates used in the preparation of the Company’s Consolidated Financial Statements, including estimates of liabilities for future policy benefits other than those identified above, as well as estimates with respect to unpaid claims and claim expenses, post-employment and postretirement benefits other than pensions, certain compensation accruals and income taxes.

Management believes the current assumptions used to estimate amounts reflected in the Company’s Consolidated Financial Statements are appropriate. However, if actual experience differs from the assumptions used in estimating amounts reflected in the Company’s Consolidated Financial Statements, the resulting changes could have a material adverse effect on the Company’s consolidated results of operations, and in certain situations, could have a material adverse effect on liquidity and the Company’s financial condition.

SEGMENT REPORTING

The Company measures the financial results of its segments using “segment earnings (loss)”, that is defined as shareholders’ income (loss) from continuing operations excluding after-tax realized investment gains and losses. “Adjusted income from operations” for each segment is defined as segment earnings excluding special items and the results of the Company’s GMIB business. Adjusted income from operations is the primary measure of profitability used by the Company’s management because it presents the underlying results of operations of the segment and permits analysis of trends. Each segment provides a reconciliation between segment earnings and adjusted income from operations.

Effective December 31, 2012, the Company changed its reporting segments. See the Introduction section of the MD&A for additional information.

Global Health Care Segment

Segment Description

As discussed in the Introduction section of this MD&A and Note 16 to the Consolidated Financial Statements, effective December 31, 2012, the Company changed its reporting segments. Prior year information has been conformed to the new segment presentation.

Global Health Care aggregates the following two operating segments:

- The ***Commercial*** operating segment includes both the U.S. commercial and international health care businesses that offer insured and self-insured medical, dental, behavioral health, vision, and prescription drug benefit plans, health advocacy programs and other products and services that may be integrated to provide comprehensive global health care benefit programs to employers and their employees, including globally mobile individuals. Cigna, either directly or through its partners, offers some or all of these products and services in all 50 states, the District of Columbia, the U.S. Virgin Islands, Canada, Europe, the Middle East, and Asia. Cigna services its globally mobile customers virtually everywhere in the world. These products and services are offered through a variety of funding arrangements such as administrative services only (ASO), guaranteed cost and retrospectively experience-rated.

- The ***Government*** operating segment offers Medicare Advantage plans to seniors in 15 states and the District of Columbia, Medicare Part D plans in all 50 states and the District of Columbia, and Medicaid plans. Results for the Government operating segment include HealthSpring from the January 31, 2012 date of acquisition.

The Company measures the operating effectiveness of the Global Health Care segment using the following key metrics:

- segment earnings and adjusted income from operations;
- customer growth;
- sales of specialty products;
- other operating expense as a percentage of segment revenues (operating expense ratio); and
- medical expense as a percentage of premiums (medical care ratio) in the guaranteed cost and Medicare businesses.

Results of Operations

FINANCIAL SUMMARY *(In millions)*	**Three Months Ended March 31, 2013**	**2012**
Premiums and fees	**$ 5,824**	$ 4,869
Net investment income	**75**	66
Mail order pharmacy revenues	**425**	386
Other revenues	**48**	51
Segment revenues	**6,372**	5,372
Mail order pharmacy cost of goods sold	**344**	321
Benefits and other expenses	**5,366**	4,618
Benefits and expenses	**5,710**	4,939
Income before taxes	**662**	433
Income taxes	**235**	157
Segment earnings	**427**	**276**
Less: special items (after-tax) included in segment earnings:		
Costs associated with the HealthSpring acquisition	**-**	(7)
Charge related to litigation matters (See Note 17 to the Consolidated Financial Statements)	**-**	(13)
Adjusted income from operations	**$ 427**	**$ 296**
Realized investment gains, net of taxes	**$ 55**	$ 7

Segment earnings increased 55% for the three months ended March 31, 2013 compared with the same period in 2012. The increase is largely due to higher adjusted income from operations and also reflects the absence of special items for litigation and acquisition costs reported in the first quarter 2012.

The Global Health Care segment's adjusted income from operations increased 44% for the three months ended March 31, 2013, compared with the same period in 2012 primarily reflecting:

- revenue growth in the Commercial operating segment, primarily due to a higher customer base in the experience-rated, guaranteed cost and administrative services only (ASO) businesses, as well as rate increases on most products, relatively consistent with underlying cost trends, and increased specialty contribution;

- lower operating expenses in the U.S. Commercial business driven by the timing of investments in technology and business initiatives, operating expense efficiencies and a curtailment gain related to the postretirement benefit plan freeze; and

- more favorable prior year development, including the impact of refinements to the MLR rebate accrual.

Adjusted income from operations also reflects higher medical care ratios (MCR), primarily in the Medicare Advantage and Commercial Guaranteed Cost businesses. The higher MCR in Medicare Advantage is driven by lower per member revenue, as well as higher utilization in 2013 mainly due to increased flu related claims. The Guaranteed Cost MCR primarily reflects a change in business practice regarding broker commissions, with no impact to adjusted income from operations.

Revenues

The table below shows premiums and fees for the Global Health Care segment:

	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Medical:		
Guaranteed cost (1)	**$ 1,107**	$ 1,028
Experience-rated (2)	**571**	505
Stop loss	**464**	407
International health care	**444**	396
Dental	**283**	246
Medicare	**1,438**	955
Medicaid	**75**	21
Medicare Part D	**436**	399
Other	**182**	167
Total medical	**5,000**	4,124
Fees (3)	**824**	745
Total premiums and fees	**$ 5,824**	**$ 4,869**

(1) Excludes international health care guaranteed cost premiums.

(2) Includes minimum premium business that has a risk profile similar to experience-rated funding arrangements. The risk portion of minimum premium revenue is reported in experience-rated medical premium whereas the self funding portion of minimum premium revenue is reported in fees. Also, includes certain non-participating cases for which special customer level reporting of experience is required.

(3) Includes fees related to the U.S. and international health care businesses.

Premiums and fees increased 20% for the three months ended March 31, 2013 compared with the same period of 2012, primarily driven by growth in the Government operating segment primarily due to an additional month of premium from HealthSpring reflecting the timing of the acquisition on January 31, 2012. In addition, premiums and fees include growth in the U.S. commercial business driven by rate increases on most products, relatively consistent with underlying cost trends, and a higher ASO customer base, resulting in higher fees, stop loss revenues and specialty contribution. Premiums and fees from the international health care business increased primarily due to new sales and, to a lesser extent, the conversion of Vanbreda business from service to risk.

Net investment income increased 14% for the three months ended March 31, 2013 compared with the same period of 2012, reflecting increased average asset levels and higher income from partnership investments, partially offset by lower yields.

Mail order pharmacy revenue increased 10% for the three months ended March 31, 2013 compared with the same period of 2012 primarily reflecting higher prescription volume for specialty medications (injectibles), partially offset by price decreases related to a shift to generic oral medications from brand names.

Other revenues consist primarily of revenues earned on direct channel sales of certain specialty products, including behavioral health and disease management, as well as revenues for management services provided to independent physician associations and health plans.

Benefits and Expenses

Global Health Care segment benefits and expenses consist of the following:

(In millions)	Three Months Ended March 31, 2013	2012
Medical claims expense	**$ 4,047**	$ 3,316
Mail order pharmacy cost of goods sold	**344**	321
Operating expenses (excluding special items)	**1,319**	1,271
Special item(s)	**-**	31
Total benefits and expenses	**$ 5,710**	**$ 4,939**

Selected ratios		
Guaranteed cost medical care ratio	**77.6%**	76.2%
Medicare Advantage medical care ratio	**84.3%**	81.1%
Medicare Part D medical care ratio	**98.4%**	102.1%
Operating expense ratio (including special items)	**20.7%**	24.2%
Operating expense ratio (excluding special items)	**20.7%**	23.7%

Medical claims expense increased by 22% for the three months ended March 31, 2013 compared with the same period in 2012, primarily reflecting an additional month of claims expense from HealthSpring in 2013, medical cost inflation, and an increase in flu related claims.

Operating expenses (including special items) increased by 1% for the three months ended March 31, 2013 compared with the same period in 2012. Excluding special items, operating expenses increased by 4%. The increase is primarily due to an additional month of operating expenses from HealthSpring in 2013. This increase was partially offset by the timing of investments in technology and business initiatives, operating expense efficiencies, and a curtailment gain related to the postretirement benefit plan freeze.

One measure of the segment's overall operating efficiency is the operating expense ratio, calculated as total operating expenses divided by segment revenues. The table above shows operating expense ratios for the Global Health Care segment.

The operating expense ratios decreased for the three months ended March 31, 2013 compared to the same period in 2012, primarily driven by revenue growth, the timing of investments in technology and business initiatives, operating expense efficiencies, and a curtailment gain related to the postretirement plan freeze. The additional month of activity from HealthSpring in 2013, which has a substantially lower operating expense ratio when compared to the Company's commercial businesses, also contributed to the lower overall operating expense ratio.

Other Items Affecting Health Care Results

Global Health Care Medical Claims Payable

Medical claims payable is higher at March 31, 2013 compared to December 31, 2012, reflecting customer growth, as well as the seasonal buildup of Stop Loss and Medicare Part D reserves. (See Note 5 to the Consolidated Financial Statements for additional information).

Medical Customers

A medical customer is defined as a person meeting any one of the following criteria:

- is covered under an insurance policy or service agreement issued by the Company;
- has access to the Company's provider network for covered services under their medical plan; or
- has medical claims that are administered by the Company.

As of March 31, estimated total medical customers were as follows:

(In thousands)	**2013**	**2012**
Commercial Risk:		
U.S. Guaranteed cost (1)	**1,137**	1,096
U.S. Experience-rated (2)	**790**	779
International health care - risk	**759**	713
Total commercial risk	**2,686**	2,588
Medicare	**451**	414
Medicaid	**23**	20
Total government	**474**	434
Total risk	**3,160**	3,022
Service, including international health care	**11,162**	10,843
Total medical customers	**14,322**	**13,865**

(1) Excludes customers from the international health care business.
(2) Includes minimum premium customers, who have a risk profile similar to experience-rated members. Also, includes certain non-participating cases for which special customer level reporting of experience is required. Excludes international health care business.

The Company's overall medical customer base as of March 31, 2013 increased 3% when compared with March 31, 2012, primarily driven by continued growth in the middle, select, individual, and government segments.

Global Supplemental Benefits Segment

Segment Description

As explained in the Introduction section of this MD&A and Note 16 to the Consolidated Financial Statements, effective December 31, 2012, the Company changed its external reporting segments. Prior year information has been conformed to the new segment structure.

The Global Supplemental Benefits segment includes supplemental health, life and accident insurance products offered in the U.S. and foreign markets, primarily in Asia, as well as Medicare supplemental coverage following the 2012 acquisition of Great American Supplemental Benefits.

The key factors for this segment are:

- premium growth, including new business and customer retention;
- benefits expense as a percentage of earned premium (loss ratio);
- operating expense as a percentage of earned premium (expense ratio); and
- the impact of foreign currency movements.

Throughout this discussion, prior period currency adjusted income from operations, revenues, and benefits and expenses are being calculated by applying the current period's exchange rates to reported results in the prior period. A strengthening U.S. Dollar against foreign currencies will decrease segment earnings, while a weakening U.S. Dollar produces the opposite effect.

Results of Operations

FINANCIAL SUMMARY *(In millions)*	**Three Months Ended March 31,** 2013	2012
Premiums and fees	$ **604**	$ 444
Net investment income	**25**	21
Other revenues	**8**	8
Segment revenues	**637**	473
Benefits and expenses	**562**	427
Income before taxes	**75**	46
Income taxes	**18**	3
Income attributable to redeemable noncontrolling interest	**2**	-
Segment earnings	**55**	**43**
Adjusted income from operations	$ **55**	$ 43
Adjusted income from operations, using actual 2013 currency exchange rates	$ **55**	$ 44
Realized investment gains, net of taxes	$ **5**	$ 3

Global Supplemental Benefits segment earnings increased 28% for the three months ended March 31, 2013 compared with the same period last year. Segment earnings for 2012 include an $8 million favorable adjustment related to the expansion of a capital management strategy (see further discussion in the Liquidity and Capital Resources section of the MD&A). Excluding the effect of this item and using actual 2013 currency exchange rates, adjusted income from operations increased 53% for the three months ended March 31, 2013 compared to the same period in 2012. This increase was primarily driven by strong revenue growth, primarily in South Korea and, to a lesser extent, lower acquisition costs in Europe, reflecting a decision to cease selling activities in certain markets.

Revenues

Premiums and fees. Using actual 2013 currency exchange rates, premiums and fees increased by 33% for the three months ended March 31, 2013, compared with the same periods last year. These increases are primarily attributable to the acquisition of Great American Supplemental Benefits and Finans Emeklilik (the acquisitions), and to a lesser extent, strong persistency, and new sales growth, particularly in South Korea.

Net investment income increased by 19% for the three months ended March 31, 2013 compared with the same periods last year. These increases were primarily due to the acquisitions and asset growth, particularly in South Korea.

Benefits and Expenses

Using actual 2013 currency exchange rates, benefits and expenses increased by 29% for the three months ended March 31, 2013, compared with the same period last year. This increase was primarily due to the acquisitions and business growth.

Loss ratios increased for the three months ended March 31, 2013 reflecting the inherently higher loss ratios of the Great American Supplemental Benefits business.

Policy acquisition expenses increased for the three months ended March 31, 2013, reflecting the acquisitions and business growth, partially offset by lower acquisition costs in Europe reflecting a decision to cease selling activities in certain markets.

Expense ratios decreased for the three months ended March 31, 2013 compared to the same period last year. This decrease was primarily driven by the impact of the lower expense ratios associated with the Great American Supplemental Benefits business.

Income Taxes

The Global Supplemental Benefits segment's effective tax rate for the three months ended March 31, 2013 was 24.9%, compared with 23.7% for the same period last year excluding the first quarter 2012 implementation effect of this capital management strategy. The increase in the effective tax rate was driven by higher earnings contributions from operations in countries with higher effective tax rates, partially offset by favorable effects from the extension of certain U.S. income tax legislation.

Other Items Affecting Global Supplemental Benefits Results

For the Company's Global Supplemental Benefits segment, South Korea is the single largest geographic market, generating 50% of the segment's revenues and 74% of earnings for the three months ended March 31, 2013. Due to the concentration of business in South Korea, the Global Supplemental Benefits segment is exposed to potential losses resulting from economic, regulatory and geopolitical developments in that country, as well as foreign currency movements affecting the South Korean currency, that could have a significant impact on the segment's results and the Company's consolidated financial results.

Group Disability and Life Segment

Segment Description

As explained in the Introduction section of this MD&A and Note 16 to the Consolidated Financial Statements, effective December 31, 2012, the Company changed its external reporting segments. The Group Disability and Life segment includes group disability, life, accident and specialty insurance, including certain disability and life insurance business previously reported in the former Health Care segment. Prior year information has been conformed to the new segment structure.

Key factors for this segment are:

- premium growth, including new business and customer retention;
- net investment income;
- benefits expense as a percentage of earned premium (loss ratio); and
- other operating expense as a percentage of earned premiums and fees (expense ratio).

Results of Operations

FINANCIAL SUMMARY	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Premiums and fees	**$ 858**	$ 763
Net investment income	**76**	76
Segment revenues	**934**	839
Benefits and expenses	**940**	742
Income (loss) before income taxes (benefits)	**(6)**	97
Income taxes (benefits)	**(4)**	29
Segment earnings (loss)	**(2)**	**68**
Less special items (after-tax) included in segment earnings:		
Charge for disability claims regulatory matter (See Note 17 to the Consolidated Financial Statements)	**(51)**	-
Adjusted income from operations	**$ 49**	$ 68
Realized investment gains, net of taxes	**$ 14**	$ 2

Segment earnings for the three months ended March 31, 2013 decreased compared with the same period in 2012 as a result of the charge related to a disability claims regulatory matter (see the "Industry Developments" section of this MD&A on page 48 for additional information) and higher disability and life loss ratios partially offset by a favorable operating expense ratio (see Benefits and Expenses below) and a lower accident loss ratio.

Revenues

Premiums and fees increased 12% for the three months ended March 31, 2013 compared with the same period of 2012 reflecting strong disability and life new sales, in-force growth and continued strong persistency.

Net investment income was flat for the three months ended March 31, 2013 compared with the same period of 2012 as lower assets and security partnership income were largely offset by higher real estate yields.

Benefits and Expenses

Benefits and expenses increased 27% for the three months ended March 31, 2013 compared with the same period in 2012 as a result of the $77 million before-tax impact of the disability claims regulatory matter, premium growth in the disability and life business and higher loss ratios in the disability and life businesses, partially offset by a lower operating expense ratio. The higher disability loss ratio reflects less favorable claim experience primarily as a result of lower resolutions and higher approvals on previously reported claims and reopens. The higher life loss ratio primarily reflects higher new claims. The lower operating expense ratio is driven by lower overhead. Benefits and expenses include the favorable impact of accident reserve studies of $3 million for the three months ended March 31, 2013, compared with $4 million for the same period in 2012.

Run-off Reinsurance Segment

Segment Description

The Company's reinsurance operations were discontinued and are now an inactive business in run-off mode since the sale of the U.S. individual life, group life and accidental death reinsurance business in 2000.

Effective February 4, 2013, the Company reinsured 100% of the Company's future exposures for the Run-off GMDB and GMIB business, net of retrocessional arrangements in place prior to February 4, 2013, up to a specified limit. See Note 6 to the Consolidated Financial and the Introduction section of this MD&A for additional information.

In 2010, the Company effectively exited from its workers' compensation and personal accident reinsurance business by purchasing retrocessional coverage from a Bermuda subsidiary of Enstar Group Limited.

Prior to February 4, 2013, the Company excluded the results of the GMIB business from adjusted income from operations because the fair value of GMIB assets and liabilities was recalculated each quarter using updated capital market assumptions. The resulting changes in fair value, which were reported in shareholders' net income, were volatile and unpredictable.

Results of Operations

FINANCIAL SUMMARY	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Premiums and fees	**$ 2**	$ 5
Net investment income	**13**	26
Other revenues	**(39)**	(95)
Segment revenues	**(24)**	(64)
Benefits and expenses	**719**	(110)
Income (loss) before income taxes	**(743)**	46
Income taxes (benefits)	**(260)**	16
Segment earnings (loss)	**(483)**	**30**
Less: results of GMIB business	**25**	41
Less: special item (after-tax) included in segment earnings:		
Charge related to reinsurance transaction	**(507)**	-
Adjusted loss from operations	**$ (1)**	**$ (11)**
Realized investment gains net of taxes	**$ 14**	$ -

Segment results for the three months ended March 31, 2013, reflects the charge related to the February 4, 2013 reinsurance transaction of $507 million. See Note 6 to the Consolidated Financial Statements for further information around the loss on reinsurance.

See the Benefits and Expenses section for further discussion around the results of the GMIB and GMDB business, including the impact of the February 4, 2013 reinsurance transaction.

Other Revenues

Other revenues consisted of gains and losses from futures and swap contracts used in the GMDB and GMIB equity and interest rate hedge programs prior to February 4, 2013 that were discontinued after that date. The components were as follows:

(In millions)	Three Months Ended March 31, 2013	2012
GMDB - Equity Hedge Program	$ (28)	$ (84)
GMDB - Growth Interest Rate Hedge Program	(4)	(3)
GMIB - Equity Hedge Program	(6)	(8)
GMIB - Growth Interest Rate Hedge Program	(1)	-
Other revenues	$ (39)	$ (95)

The hedging programs generally produced losses when equity markets and interest rates were rising and gains when equity markets and interest rates were falling. Amounts reflecting related changes in liabilities for GMDB contracts were included in benefits and expenses consistent with GAAP when a premium deficiency exists, resulting in no effect on shareholders' net income (see below "Other Benefits and Expenses"). Changes in liabilities for GMIB contracts, including the portion covered by the hedges, were recorded in GMIB fair value (gain) loss.

Benefits and Expenses

Benefits and expenses were comprised of the following:

(In millions)	Three Months Ended March 31, 2013	2012
GMIB fair value (gain)	$ -	$ (67)
Other benefits and expenses	719	(43)
Benefits and expenses	$ 719	$ (110)

GMIB fair value (gain). GMIB fair value results for the three months ended March 31, 2013 reflects gains through February 4, 2013 from increases in underlying account values and interest rates fully offset by the charge related to the February 4, 2013 reinsurance transaction.

GMIB fair value gain of $67 million for the three months ended March 31, 2012 was primarily due to increases in interest rates and significant increases in equity markets driving increases in underlying account values in the period.

Other Benefits and Expenses. Other benefits and expenses are comprised of the following:

(In millions)	Three Months Ended March 31, 2013	2012
Results of GMDB equity and interest rate hedging programs	**$ (32)**	$ (87)
Reserve strengthening	**727**	18
Other GMDB, primarily accretion of discount	**6**	19
GMDB benefit expense	**701**	(50)
Other, including operating expenses	**18**	7
Other benefits and expenses	**$ 719**	$ (43)

Capital market movements. Prior to the February 4, 2013 reinsurance transaction, the reduction in benefits expense in 2013 and in the first quarter of 2012 reflects favorable equity market movements.

Reserve strengthening . The reserve strengthening in the first quarter of 2013 was driven by the reinsurance transaction of February 4, 2013. The reserve strengthening in the first quarter of 2012 was driven by reductions to the lapse assumptions for a subset of the book.

Other benefits and expenses. Other, including operating expenses, increased in the first quarter of 2013 primarily due to expenses associated with the reinsurance transaction of February 4, 2013.

Other Operations Segment

Segment Description

Cigna's Other Operations segment includes the results of the following businesses:

- corporate-owned life insurance ("COLI");
- deferred gains recognized from the sale of the retirement benefits and individual life insurance and annuity businesses; and
- run-off settlement annuity business.

Results of Operations

FINANCIAL SUMMARY *(In millions)*	Three Months Ended March 31, 2013	 2012
Premiums and fees	**$ 26**	$ 26
Net investment income	**96**	98
Other revenues	**12**	13
Segment revenues	**134**	137
Benefits and expenses	**103**	106
Income before taxes	**31**	31
Income taxes	**10**	11
Segment earnings	**21**	20
Adjusted income from operations	**$ 21**	$ 20
Realized investment gains, net of taxes	**$ 5**	$ -

Segment earnings and adjusted income from operations slightly increased for the three months ended March 31, 2013 compared with the same period in 2012 reflecting higher COLI earnings due to more favorable mortality gains, offset by the continued decline in deferred gain amortization associated with the sold businesses.

Premiums and fees. Premiums and fees reflect revenue primarily on universal and whole life insurance policies in the COLI business. Premiums and fees were flat for the three months ended March 31, 2013, compared with the same period in 2012 due to strong persistency.

Net investment income . Net investment income slightly decreased for the three months ended March 31, 2013, compared with the same period in 2012, primarily reflecting lower average yields.

Other revenues . Other revenues decreased for the three months ended March 31, 2013, compared with the same period in 2012 primarily due to lower deferred gain amortization related to the sold retirement benefits and individual life insurance and annuity businesses.

For more information regarding the sale of these businesses, see Note 6 to the Consolidated Financial Statements.

Benefits and expenses. Benefits and expenses decreased for the three months ended March 31, 2013, compared with the same period in 2012, primarily due to lower interest credited in the COLI business, resulting in no impact to earnings.

Corporate

Description

Corporate reflects amounts not allocated to operating segments, such as net interest expense (defined as interest on corporate debt less net investment income on investments not supporting segment operations), interest on uncertain tax positions, certain litigation matters, intersegment eliminations, compensation cost for stock options, associated with the Company's frozen pension plans, certain corporate project costs and corporate overhead expenses such as directors' expenses.

FINANCIAL SUMMARY	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Segment loss	**$ (54)**	$ (78)
Less: special items (after-tax) included in segment loss:		
Costs associated with HealthSpring acquisition	**-**	(21)
Adjusted loss from operations	**$ (54)**	$ (57)

Corporate's segment loss was significantly lower for the three months ended March 31, 2013 compared with the same period in 2012 primarily reflecting the absence of the special item related to the HealthSpring acquisition recorded in the first quarter of 2012.

Corporate's adjusted loss from operations was lower for the three months ended March 31, 2013 compared with the same period in 2012, primarily reflecting the absence of a non-qualified pension plan settlement charge recorded in the first quarter of 2012.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Company maintains liquidity at two levels: the subsidiary level and the parent company level.

Liquidity requirements at the subsidiary level generally consist of:

- claim and benefit payments to policyholders; and
- operating expense requirements, primarily for employee compensation and benefits.

The Company's subsidiaries normally meet their operating requirements by:

- maintaining appropriate levels of cash, cash equivalents and short-term investments;
- using cash flows from operating activities;
- selling investments;
- matching investment durations to those estimated for the related insurance and contractholder liabilities; and
- borrowing from its parent company.

Liquidity requirements at the parent company level generally consist of:

- debt service and dividend payments to shareholders; and
- pension plan funding.

The parent company normally meets its liquidity requirements by:

- maintaining appropriate levels of cash, cash equivalents and short-term investments;
- collecting dividends from its subsidiaries;
- using proceeds from issuance of debt and equity securities; and
- borrowing from its subsidiaries.

Cash flows for the three months ended March 31, were as follows:

(In millions)		**2013**		2012
Operating activities	**$**	**(805)**	$	941
Investing activities	**$**	**962**	$	(3,419)
Financing activities	**$**	**185**	$	(106)

Cash flows from operating activities consist of cash receipts and disbursements for premiums and fees, mail order pharmacy, other revenues, investment income, taxes, benefits and expenses, and, prior to February 4, 2013, gains (losses) recognized in connection with the Company's GMDB and GMIB equity hedge programs. Because certain income and expense transactions do not generate cash, and because cash transactions related to revenues and expenses may occur in periods different from when those revenues and expenses are recognized in shareholders' net income, cash flows from operating activities can be significantly different from shareholders' net income.

Cash flows from investing activities generally consist of net investment purchases or sales and net purchases of property and equipment, which includes capitalized software, as well as cash used to acquire businesses.

Cash flows from financing activities are generally comprised of issuances and re-payment of debt at the parent company level, proceeds on the issuance of common stock resulting from stock option exercises, and stock repurchases. In addition, the subsidiaries report net deposits/withdrawals to/from investment contract liabilities (which include universal life insurance liabilities) because such liabilities are considered financing activities with policyholders.

2013:

Operating activities

Cash outflows from operating activities included payments totaling $1.5 billion to Berkshire in connection with the February 4, 2013 reinsurance transaction. Excluding those payments, cash flows from operating activities decreased by $271 million for three months ended March 31, 2013 compared with the same period last year primarily due to the timing of receipts for Medicare Advantage and certain Medicare Part D programs. In the first quarter of 2012 the Company received approximately $760 million of reimbursements relating to the second quarter. In 2013, such second quarter amounts were not received until April. Partially offsetting this decrease were the favorable effects of higher adjusted income from operations and business growth in the ongoing operating segments, favorable receivable collections, and lower GMDB hedge losses.

Investing activities

Cash provided by investing activities was $962 million for the three months ended March 31, 2013. This consisted primarily of net investment sales of $1.1 billion that were used largely to fund the reinsurance payments to Berkshire, partially offset by purchases of property and equipment of $84 million.

Financing activities

Cash provided by financing activities for the three months ended March 31, 2013 primarily reflects an increase in short-term debt of $198 million, primarily commercial paper that was used to partially fund the payment to Berkshire. In addition, cash provided by financing activities also included net deposits to contractholders of $31 million, offset by repurchases of common stock of $77 million (net of unsettled purchases of $20 million at March 31, 2013). Through May 2, 2013 the Company repurchased 3.9 million shares for $250 million. Remaining share repurchase authorization as of May 2, 2013 was $564.7 million.

Interest Expense

Interest expense on long-term debt, short-term debt and capital leases was as follows:

	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Interest expense	$ 67	$ 66

Capital Resources

The Company’s capital resources (primarily retained earnings and the proceeds from the issuance of debt and equity securities) provide protection for policyholders, furnish the financial strength to underwrite insurance risks and facilitate continued business growth.

Management, guided by regulatory requirements and rating agency capital guidelines, determines the amount of capital resources that the Company maintains. Management allocates resources to new long-term business commitments when returns, considering the risks, look promising and when the resources available to support existing business are adequate.

The Company prioritizes its use of capital resources to:

- provide capital necessary to support growth and maintain or improve the financial strength ratings of subsidiaries including pension funding obligations;
- consider acquisitions that are strategically and economically advantageous; and
- return capital to investors through share repurchase.

The availability of capital resources will be impacted by equity and credit market conditions. Extreme volatility in credit or equity market conditions may reduce the Company’s ability to issue debt or equity securities.

Liquidity and Capital Resources Outlook

At March 31, 2013, there was $620 million in cash and short-term investments available at the parent company level. For the remainder of 2013, the parent company's cash requirements include scheduled interest payments of approximately $200 million on long-term debt (including current maturities) of $5.0 billion outstanding at March 31, 2013. In addition, $400 million of commercial paper will mature over the next three months. The Company expects to make additional contributions to the pension plan of $244 million for the remainder of the year. The parent company expects to fund these cash requirements by using available cash, subsidiary dividends and by refinancing a portion of the maturing commercial paper borrowings with new commercial paper.

In the first quarter of 2013 the Company effectively exited the run-off reinsurance business and paid $1.5 billion of the $2.2 billion reinsurance premium due to Berkshire. The $1.5 billion was funded primarily from sales of investment assets, parent company cash and commercial paper borrowing of $200 million. In April 2013, the Company used security repurchase agreements to increase short-term borrowings and paid the remaining reinsurance premium to Berkshire. During the remainder of 2013, the Company expects to complete additional asset sales, realize additional related tax benefits and repay all short-term borrowings associated with the transaction. The Company expects to have used approximately $75 million of parent company cash to fund the transaction after all asset sales are completed and tax benefits are realized.

The availability of resources at the parent company level is partially dependent on dividends from the Company's subsidiaries, most of which are subject to regulatory restrictions and rating agency capital guidelines, and partially dependent on the availability of liquidity from the issuance of debt or equity securities.

The Company expects, based on its current cash position and current projections for subsidiary dividends, to have sufficient liquidity to meet the obligations discussed above.

However, the Company's cash projections may not be realized and the demand for funds could exceed available cash if, for example:

- ongoing businesses experience unexpected shortfalls in earnings;
- regulatory restrictions or rating agency capital guidelines reduce the amount of dividends available to be distributed to the parent company from the insurance and HMO subsidiaries (including the impact of equity market deterioration and volatility on subsidiary capital);
- significant disruption or volatility in the capital and credit markets reduces the Company's ability to raise capital; or
- a substantial increase in funding over current projections is required for the Company's pension plan.

In those cases, the Company expects to have the flexibility to satisfy liquidity needs through a variety of measures, including intercompany borrowings and sales of liquid investments. The parent company may borrow up to $1.0 billion from its principal insurance subsidiaries without prior state approval. As of March 31, 2013, the Company's insurance subsidiaries had $648 million of net intercompany loan balances owed to the parent company.

In addition, the Company may use short-term borrowings, such as the commercial paper program, the committed revolving credit and letter of credit agreement of up to $1.5 billion subject to the maximum debt leverage covenant in its line of credit agreement. As of March 31, 2013, the Company had $1.4 billion of borrowing capacity under the credit agreement, reflecting $66 million of letters of credit issued out of the credit facility. Within the maximum debt leverage covenant in the line of credit agreement, the Company has an additional $5.0 billion of borrowing capacity in addition to the $5.4 billion of debt outstanding.

The Company maintains a capital management strategy to permanently invest the earnings of certain of its foreign operations overseas. During the first quarter of 2012, the Company expanded this strategy to its China and Indonesia operations. Permanently invested earnings are generally deployed in these countries, and where possible, other foreign jurisdictions, in support of the liquidity and capital needs of the Company's foreign operations. As of March 31, 2013 permanently reinvested earnings were approximately $718 million. Approximately $300 million of cash and cash equivalents held in these countries would, if repatriated, be subject to a charge representing the difference between the U.S. and foreign tax rates. This strategy does not materially limit the Company's ability to meet its liquidity and capital needs in the United States. Cash and cash equivalents in foreign operations are held primarily to meet local liquidity and surplus needs with excess funds generally invested in longer duration high quality securities.

Though the Company believes it has adequate sources of liquidity, continued significant disruption or volatility in the capital and credit markets could affect the Company's ability to access those markets for additional borrowings or increase costs associated with borrowing funds.

Guarantees and Contractual Obligations

The Company, through its subsidiaries, is contingently liable for various contractual obligations entered into in the ordinary course of business. See Note 17 to the Consolidated Financial Statements for additional information.

There is no update to the contractual obligations previously provided in the Company's 2012 Form 10-K.

INVESTMENT ASSETS

The Company's investment assets do not include separate account assets. Additional information regarding the Company's investment assets and related accounting policies is included in Notes 2, 8, 9, 10, 11 and 14 to the Consolidated Financial Statements. More detailed information about the fixed maturities portfolios by type of issuer, maturity dates, and, for mortgages, by debt service coverage and loan-to-value ratios is included in Note 9 to the Consolidated Financial Statements and Notes 2, 11, 12 and 18 to the Consolidated Financial Statements in the Company's 2012 Form 10-K.

During the three months ended March 31, 2013, the Company's fixed maturities decreased approximately $1.1 billion due primarily to asset sales to fund the reinsurance transaction with Berkshire, however, the mix of investments and their primary characteristics had not materially changed since December 31, 2012. The Company's fixed maturity portfolio continues to be diversified by issuer and industry type with the consumer sector representing the largest single industry concentration approximating 10% of total invested assets as of March 31, 2013. The Company's commercial mortgage loan portfolio is diversified by property type, geographic location and borrower.

Fixed Maturities

Investments in fixed maturities include publicly traded and privately placed debt securities, mortgage and other asset-backed securities, preferred stocks redeemable by the investor and hybrid and trading securities. The Company estimates fair values using prices from third parties or internal pricing methods. Fair value estimates received from third-party pricing services are based on reported trade activity and quoted market prices when available, and other market information that a market participant may use to estimate fair value. Internal pricing methods are performed by the Company's investment professionals, and generally involve using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality, as well as other qualitative factors. In instances where there is little or no market activity for the same or similar instruments, fair value is estimated using methods, models and assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price. These valuation techniques involve some level of estimation and judgment that becomes significant with increasingly complex instruments or pricing models.

The Company is responsible for determining fair value, as well as the appropriate level within the fair value hierarchy as defined in Note 8 to the Consolidated Financial Statements, based on the significance of unobservable inputs. The Company reviews methodologies and processes of third-party pricing services and compares prices on a test basis to those obtained from other external pricing sources or internal estimates. The Company performs ongoing analyses of both prices received from third-party pricing services and those developed internally to determine that they represent appropriate estimates of fair value. These analyses include reviewing to ensure that prices do not become stale and whether changes from prior valuations are reasonable or require additional review. The Company also performs sample testing of sales values to confirm the accuracy of prior fair value estimates. Exceptions identified during these processes indicate that adjustments to prices are infrequent and do not significantly impact valuations.

The following table reflects the Company's fixed maturity portfolio by type of issuer as of March 31, 2013 and December 31, 2012:

(In millions)	**March 31, 2013**	**December 31, 2012**
Federal government and agency	$ 847	$ 902
State and local government	2,401	2,437
Foreign government	1,242	1,322
Corporate	11,006	11,896
Federal agency mortgage-backed	107	122
Other mortgage-backed	83	89
Other asset-backed	914	937
Total	**$ 16,600**	**$ 17,705**

As of March 31, 2013, $14.8 billion, or 89%, of the fixed maturities in the Company's investment portfolio were investment grade (Baa and above, or equivalent), and the remaining $1.8 billion were below investment grade. The majority of the bonds that are below investment grade are rated at the higher end of the non-investment grade spectrum. These quality characteristics have not materially changed during the year.

The net appreciation of the Company's fixed maturity portfolio decreased approximately $155 million in the three months ended March 31, 2013 driven by an increase in market yields and realized investment gains associated with asset sales. Although overall asset values are well in excess of amortized cost, there are specific securities with amortized cost in excess of fair value by $26 million in aggregate as of March 31, 2013. See Note 9 to the Consolidated Financial Statements for further information.

Corporate fixed maturities includes private placement investments of $5.0 billion, which are generally less marketable than publicly-traded bonds, but yields on these investments tend to be higher than yields on publicly-traded bonds with comparable credit risk. The Company performs a credit analysis of each issuer, diversifies investments by industry and issuer and requires financial and other covenants that allow the Company to monitor issuers for deteriorating financial strength and pursue remedial actions, if warranted. Also included in corporate fixed maturities are investments in companies that are domiciled or have significant business interests in European countries with the most significant political or economic concerns (Portugal, Italy, Ireland, Greece and Spain). Fixed maturity investments in these companies represent approximately $382 million at March 31, 2013, have an average quality rating of BAA and are diversified by industry sector. Financial institutions comprised less than 2% of investments in these companies.

The Company invests in high quality foreign government obligations, with an average quality rating of AA as of March 31, 2013. These investments are primarily concentrated in Asia consistent with the geographic distribution of the international business operations, including government obligations of South Korea, Indonesia, Taiwan and Hong Kong. Foreign government obligations also include $178 million of investments in European sovereign debt, none of which are in countries with the most significant political or economic concerns.

The Company's investment in state and local government securities is diversified by issuer and geography with no single exposure greater than $34 million. The Company assesses each issuer's credit quality based on a fundamental analysis of underlying financial information and does not rely solely on statistical rating organizations or monoline insurer guarantees. As of March 31, 2013, 97% of the Company's investments in these securities were rated A3 or better excluding guarantees by monoline bond insurers, consistent with the prior year. As of March 31, 2013, approximately 63% or $1,520 million of the Company's total investments in state and local government securities were guaranteed by monoline bond insurers, providing additional credit quality support. The quality ratings of these investments with and without this guaranteed support as of March 31, 2013 were as follows:

		As of March 31, 2013	
		Fair Value	
(In millions)	**Quality Rating**	**With Guarantee**	**Without Guarantee**
State and local governments	Aaa	$ 137	$ 136
	Aa1-Aa3	1,056	1,013
	A1-A3	284	323
	Baa1-Baa3	43	23
	Ba1-Ba3	-	25
Total state and local governments		**$ 1,520**	**$ 1,520**

As of March 31, 2013, the Company's investments in other asset and mortgage-backed securities totaling $1,104 million included $505 million of private placement securities with an average quality rating of BAA- that are guaranteed by monoline bond insurers. Quality ratings without considering the guarantees for these other asset-backed securities were not available.

As of March 31, 2013, the Company had no direct investments in monoline bond insurers. Guarantees provided by various monoline bond insurers for certain of the Company's investments in state and local governments and other asset-backed securities as of March 31, 2013 were:

(In millions) Guarantor	As of March 31, 2013 Indirect Exposure
National Public Finance Guarantee (formerly MBIA, Inc.)	$ 1,231
Assured Guaranty Municipal Corp (formerly Financial Security Assurance)	571
AMBAC	185
Financial Guaranty Insurance Co.	38
Total	**$ 2,025**

Commercial Mortgage Loans

The Company's commercial mortgage loans are fixed rate loans, diversified by property type, location and borrower to reduce exposure to potential losses. Loans are secured by high quality commercial properties and are generally made at less than 75% of the property's value at origination of the loan. Property value, debt service coverage, quality, building tenancy and stability of cash flows are all important financial underwriting considerations. The Company holds no direct residential mortgage loans and does not securitize or service mortgage loans.

The Company completed its most recent annual in-depth review of its commercial mortgage loan portfolio during the second quarter of 2012. This review included an analysis of each property's year-end 2011 financial statements, rent rolls, operating plans and budgets for 2012, a physical inspection of the property and other pertinent factors. Based on property values and cash flows estimated as part of this review and considering updates for loans where material changes were subsequently identified, the portfolio's average loan-to-value remained at 65% at March 31, 2013 when compared to December 31, 2012. The portfolio's average debt service coverage ratio was estimated to be 1.55 at March 31, 2013, essentially unchanged from 1.56 as of December 31, 2012.

Commercial real estate capital markets remain most active for well leased, quality commercial real estate located in strong institutional investment markets. The vast majority of properties securing the mortgages in the Company's mortgage portfolio possess these characteristics. While commercial real estate fundamentals continued to improve, the improvement has varied across geographies and property types. A broad recovery is dependent on continued improvement in the national economy.

The following table reflects the commercial mortgage loan portfolio as of March 31, 2013, summarized by loan-to-value ratio based primarily on the annual loan review completed during the second quarter of 2012.

Loan-to-Value Distribution

Loan-to-Value Ratios	**Amortized Cost**			
(In millions)	**Senior**	**Subordinated**	**Total**	**% of Mortgage Loans**
Below 50%	$ 291	$ 61	$ 352	13%
50% to 59%	770	-	770	27%
60% to 69%	692	24	716	25%
70% to 79%	414	14	428	15%
80% to 89%	303	27	330	12%
90% to 99%	102	-	102	4%
100% or above	113	-	113	4%
Totals	**$ 2,685**	**$ 126**	**$ 2,811**	**100%**

As summarized above, $126 million or 4% of the commercial mortgage loan portfolio is comprised of subordinated notes that were fully underwritten and originated by the Company using its standard underwriting procedures and are secured by first mortgage loans. Senior interests in these first mortgage loans were then sold to other institutional investors. This strategy allowed the Company to effectively utilize its origination capabilities to underwrite high quality loans, limit individual loan exposures, and achieve attractive risk adjusted yields. In the event of a default, the Company would pursue remedies up to and including foreclosure jointly with the holders of the senior interest, but would receive repayment only after satisfaction of the senior interest.

In the table above, there are two loans in the "100% or above" category with an aggregate carrying value of $47 million that exceed the value of their underlying properties by $5 million. Both of these loans have current debt service coverage of 1.0 or greater, along with significant borrower commitment. The remaining $66 million includes two loans with carrying value equal to the value of the underlying properties.

The commercial mortgage portfolio contains approximately 140 loans. Four impaired loans with a carrying value totaling $125 million are classified as problem or potential problem loans, including two loans totaling $60 million that are current based on restructured terms and two loans totaling $65 million, net of reserves, that are current but full collection of principal is not expected. All of the remaining loans continue to perform under their contractual terms. The Company has $448 million of loans maturing in the next twelve months. Given the quality and diversity of the underlying real estate, positive debt service coverage and significant borrower cash investment averaging nearly 30%, the Company remains confident that the vast majority of borrowers will continue to perform as expected under their contract terms.

Other Long-term Investments

The Company's other long-term investments include $1,163 million in security partnership and real estate funds as well as direct investments in real estate joint ventures. The funds typically invest in mezzanine debt or equity of privately held companies (securities partnerships) and equity real estate. Given its subordinate position in the capital structure of these underlying entities, the Company assumes a higher level of risk for higher expected returns. To mitigate risk, investments are diversified across approximately 80 separate partnerships, and approximately 50 general partners who manage one or more of these partnerships. Also, the funds' underlying investments are diversified by industry sector or property type, and geographic region. No single partnership investment exceeds 7% of the Company's securities and real estate partnership portfolio.

Although the total fair values of these investments exceeded their carrying values as of March 31, 2013, the fair value of the Company's ownership interest in certain funds that are carried at cost was less than carrying value by $38 million. Fund investment values continued to improve, but remained at depressed levels reflecting the impact of declines in value experienced predominantly during 2008 and 2009 due to economic weakness and disruption in the capital markets, particularly in the commercial real estate market. The Company expects to recover its carrying value over the average remaining life of these investments of approximately 5 years. Given the current economic environment, future impairments are possible; however, management does not expect those losses to have a material effect on the Company's results of operations, financial condition or liquidity.

Problem and Potential Problem Investments

"Problem" bonds and commercial mortgage loans are either delinquent by 60 days or more or have been restructured as to terms, including concessions by the Company for modification of interest rate, principal payment or maturity date. "Potential problem" bonds and commercial mortgage loans are considered current (no payment more than 59 days past due), but management believes they have certain characteristics that increase the likelihood that they may become problems. The characteristics management considers include, but are not limited to, the following:

- request from the borrower for restructuring;
- principal or interest payments past due by more than 30 but fewer than 60 days;
- downgrade in credit rating;
- collateral losses on asset-backed securities; and
- for commercial mortgages, deterioration of debt service coverage below 1.0 or estimated loan-to-value ratios increasing to 100% or more.

The Company recognizes interest income on problem bonds and commercial mortgage loans only when payment is actually received because of the risk profile of the underlying investment. The additional amount that would have been reflected in net income if interest on non-accrual investments had been recognized in accordance with the original terms was not significant for the three months ended March 31, 2013 or 2012.

The following table shows problem and potential problem investments at amortized cost, net of valuation reserves and write-downs:

	March 31, 2013			December 31, 2012		
(In millions)	**Gross**	**Reserve**	**Net**	**Gross**	**Reserve**	**Net**
Problem bonds	$ 33	$ (17)	$ 16	$ 35	$ (17)	$ 18
Problem commercial mortgage loans (1)	104	(16)	88	104	(16)	88
Foreclosed real estate	28	-	28	29	-	29
Total problem investments	**$ 165**	**$ (33)**	**$ 132**	**$ 168**	**$ (33)**	**$ 135**
Potential problem bonds	$ 30	$ (9)	$ 21	$ 30	$ (9)	$ 21
Potential problem commercial mortgage loans	162	(7)	155	162	(7)	155
Total potential problem investments	**$ 192**	**$ (16)**	**$ 176**	**$ 192**	**$ (16)**	**$ 176**

(1) At March 31, 2013 and December 31, 2012, included $29 million of restructured loans classified in Other long-term investments that were previously reported in commercial mortgage loans.

Net problem investments represent less than 1% of total investments excluding policy loans at March 31, 2013 and were essentially unchanged from December 31, 2012.

Net potential problem investments were unchanged from December 31, 2012 and represent less than 1% of total investments excluding policy loans at March 31, 2013.

Commercial mortgage loans are considered impaired when it is probable that the Company will not collect all amounts due according to the terms of the original loan agreement. In the above table, problem and potential problem commercial mortgage loans totaling $125 million (net of valuation reserves) at March 31, 2013, are considered impaired. See Note 9 to the Consolidated Financial Statements for additional information regarding impaired commercial mortgage loans.

Included in after-tax realized investment results were changes in valuation reserves related to commercial mortgage loans and other-than-temporary impairments on fixed maturity securities as follows:

	Three Months Ended March 31,	
(In millions)	**2013**	**2012**
Credit-related (1)	**$ -**	$ (3)
Other	-	(1)
Total	**$ -**	**$ (4)**

(1) Credit-related losses include other-than-temporary declines in fair value of fixed maturities and changes in valuation reserves related to commercial mortgage loans. There were no credit losses on fixed maturities for which a portion of the impairment was recognized in other comprehensive income.

Investment Outlook

The financial markets continue to be impacted by economic uncertainty in the United States and Europe, however, asset values were stable in the first quarter of 2013. Future realized and unrealized investment results will be impacted largely by market conditions that exist when a transaction occurs or at the reporting date. These future conditions are not reasonably predictable. Management believes that the vast majority of the Company's fixed maturity investments will continue to perform under their contractual terms, and that declines in their fair values below carrying value are temporary. Based on the strategy to match the duration of invested assets to the duration of insurance and contractholder liabilities, the Company expects to hold a significant portion of these assets for the long term. The Company could experience losses related to investment impairments resulting from unfavorable credit deterioration and equity market and interest rate movements. These losses could adversely impact the Company's consolidated results of operations and financial condition and liquidity by potentially reducing the capital of the Company's insurance subsidiaries and reducing their dividend-paying capabilities.

While management believes the commercial mortgage loan portfolio is positioned to perform well due to its solid aggregate loan-to-value ratio, strong debt service coverage and minimal underwater positions, broad commercial real estate market fundamentals continue to be under stress reflecting a slow economic recovery. Should these conditions remain for an extended period or worsen substantially, it could result in an increase in problem and potential problem loans. Given the current economic environment, future impairments are possible; however, management does not expect those losses to have a material adverse effect on the Company's financial condition or liquidity.

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Financial Instruments

The Company's assets and liabilities include financial instruments subject to the risk of potential losses from adverse changes in market rates and prices. The Company's primary market risk exposures are interest-rate risk, foreign currency exchange rate risk and equity price risk.

Stock Market Performance

The performance of equity markets can have a significant effect on the Company's pension liabilities since equity securities comprise a significant portion of the assets of the Company's employee pension plans.

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

Cigna Corporation and its subsidiaries (the "Company") and its representatives may from time to time make written and oral forward-looking statements, including statements contained in press releases, in the Company's filings with the Securities and Exchange Commission, in its reports to shareholders and in meetings with analysts and investors. Forward-looking statements may contain information about financial prospects, economic conditions, trends and other uncertainties. These forward-looking statements are based on management's beliefs and assumptions and on information available to management at the time the statements are or were made. Forward-looking statements include, but are not limited to, the information concerning possible or assumed future business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, trends and, in particular, the Company's strategic initiatives, litigation and other legal matters, operational improvement initiatives in the health care operations, and the outlook for the Company's full year 2013 and beyond results. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe", "expect", "plan", "intend", "anticipate", "estimate", "predict", "potential", "may", "should" or similar expressions.

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

1. health care reform legislation, as well as additional changes in state or federal regulation, that could, among other items, affect the way the Company does business, increase costs, limit the ability to effectively estimate, price for and manage medical costs, and affect the Company's products, services, market segments, technology and processes;

2. adverse changes in state, federal and international laws and regulations, including increased medical, administrative, technology or other costs resulting from new legislative and regulatory requirements imposed on the Company's businesses;

3. risks associated with pending and potential state and federal class action lawsuits, disputes regarding reinsurance arrangements, other litigation and regulatory actions challenging the Company's businesses, including disputes related to payments to health care professionals, government investigations and proceedings, tax audits and related litigation, and regulatory market conduct and other reviews, audits and investigations, including the possibility that the acquired HealthSpring business may be adversely affected by potential changes in risk adjustment data validation audit and payment adjustment methodology;

4. challenges and risks associated with implementing improvement initiatives and strategic actions in the ongoing operations of the businesses, including those related to: (i) growth in targeted geographies, product lines, buying segments and distribution channels, (ii) offering products that meet emerging market needs, (iii) strengthening underwriting and pricing effectiveness, (iv) strengthening medical cost results and a growing medical customer base, (v) delivering quality service to members and health care professionals using effective technology solutions, and (vi) lowering administrative costs;

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

6. challenges and risks associated with the successful management of the Company's outsourcing projects or key vendors;

7. the ability of the Company to execute its growth plans by successfully leveraging capabilities and integrating acquired businesses, including the HealthSpring businesses by, among other things, operating Medicare Advantage plans and HealthSpring's prescription drug plan, retaining and growing the customer base, realizing revenue, expense and other synergies, renewing contracts on competitive terms or maintaining performance under Medicare contracts, successfully leveraging the information technology platform of the acquired businesses, and retaining key personnel;

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

9. risks associated with the Company's information technology strategy, including that the failure to make effective investments or execute improvements may impede the Company's ability to deliver services efficiently;

10. the failure to maintain effective prevention, detection and control systems for regulatory compliance and detection of fraud and abuse;

11. risks associated with the Company's mail order pharmacy business that, among other things, includes any potential operational deficiencies or service issues as well as loss or suspension of state pharmacy licenses;

12. liability associated with the Company's operations of onsite clinics and medical facilities, including the health care centers operated by the HealthSpring business;

13. heightened competition, particularly price competition, that could reduce product margins and constrain growth in the Company's businesses, primarily the Global Health Care business;

14. significant stock market declines, that could, among other things, impact the Company's pension plans in future periods as well as the recognition of additional pension obligations;

15. significant changes in market interest rates or sustained deterioration in the commercial real estate markets that could

reduce the value of the Company’s investment assets;

16. downgrades in the financial strength ratings of the Company’s insurance subsidiaries, that could, among other things, adversely affect new sales and retention of current business or limit the subsidiaries’ ability to dividend capital to the parent company, resulting in changes in statutory reserve or capital requirements or other financial constraints;

17. significant deterioration in global market economic conditions and market volatility that could have an adverse effect on the Company’s investments, liquidity and access to capital markets;

18. unfavorable developments in economic conditions that could, among other things, have an adverse effect on the impact on the businesses of our customers (including the amount and type of health care services provided to their workforce, loss in workforce and ability to pay their obligations), the businesses of hospitals and other providers (including increased medical costs) or state and federal budgets for programs, such as Medicare or social security, resulting in a negative impact to the Company’s revenues or results of operations;

19. risks associated with the Company’s reinsurance arrangements for the run-off retirement benefits business, individual life insurance and annuity business, variable annuity death benefits and guaranteed minimum income benefits business, including but not limited to, failure by reinsurers to meet their reinsurance obligations or that the reinsurance arrangements do not otherwise provide adequate protection; or

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

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information responsive to this item is contained under the caption "Market Risk" in Item 2 above, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. CONTROLS AND PROCEDURES

Based on an evaluation of the effectiveness of Cigna's disclosure controls and procedures conducted under the supervision and with the participation of Cigna's management, Cigna's Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, Cigna's disclosure controls and procedures are effective to ensure that information required to be disclosed by Cigna in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Security and Exchange Commission's rules and forms and is accumulated and communicated to Cigna's management, including Cigna's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the period covered by this report, there have been no changes in Cigna's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Cigna's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The information contained under “Litigation Matters” in Note 17 to the Consolidated Financial Statements is incorporated herein by reference.

Item 1A. RISK FACTORS

Cigna's Annual Report on Form 10-K for the year ended December 31, 2012 includes a detailed description of its risk factors.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about Cigna's share repurchase activity for the quarter ended March 31, 2013:

Issuer Purchases of Equity Securities

Period	Total # of shares purchased (1)	Average price paid per share	Total # of shares purchased as part of publicly announced program (2)	Approximate dollar value of shares that may yet be purchased as part of publicly announced program (3)
January 1-31, 2013	11,581	$ 55.38	-	$ 314,709,797
February 1-28, 2013	81,630	59.39	-	814,709,797
March 1-31, 2013	2,147,502	60.97	1,570,900	717,425,709
Total	**2,240,713**	**$ 60.88**	**1,570,900**	**N/A**

*(1) Includes shares tendered by employees as payment of taxes withheld on the exercise of stock options and the vesting of restricted stock granted under the Company's equity compensation plans. Employees tendered **11,581** shares in January, 81,630 shares in February and 576,602 shares in March 2013.*

(2) Cigna has had a repurchase program for many years, and has had varying levels of repurchase authority and activity under this program. The program has no expiration date. Cigna suspends activity under this program from time to time and also removes such suspensions, generally without public announcement. Remaining authorization under the program was approximately $717 million as of March 31, 2013 and $565 million as of May 2, 2013.

(3) Approximate dollar value of shares is as of the last date of the applicable month.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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Item 6. EXHIBITS

(a) See Exhibit Index

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cigna Corporation	
Date:	May 2, 2013
By:	/s/ Ralph J. Nicoletti
	Ralph J. Nicoletti
	Executive Vice President
	Chief Financial Officer
	(Duly Authorized Officer and Principal Financial Officer)

INDEX TO EXHIBITS

Number	Description	Method of Filing
3.1	Restated Certificate of Incorporation of the registrant as last amended April 23, 2008	Filed as Exhibit 3.1 to the registrant’s Form 10-Q for the period ended March 31, 2008 and incorporated herein by reference.
3.2	By-Laws of the registrant as last amended and restated December 6, 2012	Filed as Exhibit 3.2 to the registrant’s Form 10-K for the year ended December 31, 2012 and incorporated herein by reference.
4.1	(a) Indenture dated August 16, 2006 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 4.1(a) to the registrant’s Form 10-K for the year ended December 31, 2012 and incorporated herein by reference.
	(b) Supplemental Indenture No. 1 dated November 10, 2006 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 4.1(b) to the registrant’s Form 10-K for the year ended December 31, 2012 and incorporated herein by reference.
	(c) Supplemental Indenture No. 2 dated March 15, 2007 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 4.1 (c) to the registrant’s Form 10-Q for the period ended March 31, 2011 and incorporated herein by reference.
	(d) Supplemental Indenture No. 3 dated March 7, 2008 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 4.1 to the registrant’s Form 8-K on March 10, 2008 and incorporated herein by reference.
	(e) Supplemental Indenture No. 4 dated May 7, 2009 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 99.2 to the registrant’s Form 8-K on May 12, 2009 and incorporated herein by reference.
	(f) Supplemental Indenture No. 5 dated May 17, 2010 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 99.2 to the registrant’s Form 8-K on May 28, 2010 and incorporated herein by reference.
	(g) Supplemental Indenture No. 6 dated December 8, 2010 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 99.2 to the registrant’s Form 8-K on December 9, 2010 and incorporated herein by reference.
	(h) Supplemental Indenture No. 7 dated March 7, 2011 between Cigna Corporation and U.S. Bank Association	Filed as Exhibit 99.2 to the registrant’s Form 8-K on March 8, 2011 and incorporated herein by reference.
	(i) Supplemental Indenture No. 8 dated November 10, 2011 between Cigna Corporation and U.S. Bank National Association	Filed as Exhibit 4.1 to the registrant’s Form 8-K on November 14, 2011 and incorporated herein by reference.

4.2	Indenture dated January 1, 1994 between Cigna Corporation and Marine Midland Bank	Filed as Exhibit 4.2 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
4.3	Indenture dated June 30, 1988 between Cigna Corporation and Bankers Trust	Filed as Exhibit 4.3 to the registrant's Form 10-K for the year ended December 31, 2009 and incorporated herein by reference.
10.1	Retention Agreement dated October 24, 2011 with Herbert Fritch	Filed herewith.
10.2	Agreement dated December 7, 2011 with Herbert Fritch	Filed herewith.
10.3	HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan (the "HealthSpring Equity Incentive Plan")	Filed herewith.
10.4	HealthSpring Equity Incentive Plan: Form of Restricted Share Award Agreement	Filed herewith.
10.5	HealthSpring Equity Incentive Plan: Form of Non-Qualified Stock Option Agreement	Filed herewith.
10.6	Amendment No. 3 to the Cigna Long Term Incentive Plan as amended and restated effective as of April 28, 2010	Filed herewith.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Chief Executive Officer of Cigna Corporation pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934	Filed herewith.
31.2	Certification of Chief Financial Officer of Cigna Corporation pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934	Filed herewith.
32.1	Certification of Chief Executive Officer of Cigna Corporation pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350	Furnished herewith.
32.2	Certification of Chief Financial Officer of Cigna Corporation pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350	Furnished herewith.
101	Financial statements from the quarterly report on Form 10-Q of Cigna Corporation for the quarter ended September 30, 2012 formatted in XBRL: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Total Equity; (v) the Consolidated Statements of Cash Flow; and (vi) the Notes to the Consolidated Financial Statements.	Filed herewith

Exhibit 10.1

EXECUTIVE RETENTION AGREEMENT

THIS RETENTION AGREEMENT (this " **Agreement** "), dated as of October 24, 2011, is by and between Cigna Corporation, a Delaware corporation (" **Cigna** ") and Herbert Fritch (" **Employee"**).

WHEREAS, in connection with the proposed merger (the " **Merger** ") as contemplated by the Agreement and Plan of Merger, dated as of October 24, 2011, by and among HealthSpring, Inc., a Delaware corporation (" **HealthSpring** "), Cigna (together with its Affiliates and any successor to its business or assets that assumes and agrees to perform this Agreement by operation of law or otherwise, the " **Company** ") and Cigna HealthSpring Corp. (the " **Merger Agreement** "), Cigna and Employee have each agreed to execute this Agreement to provide for the rights and obligations set forth herein. For the avoidance of doubt as used in this Agreement, the term "Company" shall include all Affiliates of Cigna, including the surviving entity in the Merger; and

WHEREAS, Employee acknowledges that Employee understands that, upon the Effective Time, Employee's outstanding awards of options to purchase shares of HealthSpring common stock and restricted shares of HealthSpring common stock (the " **Former Awards** ") will be rolled over into substantially similar awards relating to Cigna common stock (the " **Rollover Awards** "), and that Employee's "Good Reason" definition under the Former Awards and all related rights are waived in their entirety and replaced in the Rollover Awards with the "Good Reason" definition provided herein;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Definitions** . Words or phrases that are initially capitalized or within quotation marks shall have the meanings provided in this Section 1 and as provided elsewhere in this Agreement. For purposes of this Agreement, the following definitions apply:

" **Affiliate** " has the meaning set forth in Rule 12b-2 promulgated under the Exchange Act.

" **Beneficial Owner** " has the meaning set forth in Rule 13(d)(3) promulgated under the Exchange Act.

" **Board** " shall mean the Board of Directors of Cigna or any successor.

" **Cause** " shall mean, with respect to Employee, one or more of the following: (a) the conviction of a felony or a crime involving moral turpitude; (b) the commission of any act or omission involving material dishonesty or fraud with respect to the Company; (c) reporting to work under the influence of illegal drugs or the use of illegal drugs (whether or not at the workplace); (d) the continued and repeated failure to perform substantially the duties of Employee's employment after 30 days' notice from the Company, such notice setting forth in reasonable detail the nature of such failure, and in the event Employee fails to cure such failure within 30 days of notice from the Company, if such failure is capable of being cured; (e) breach of fiduciary duty or engaging in gross negligence or willful misconduct with respect to the Company that is not cured within 30 days after written notice thereof to Employee; or (f) any other material breach of this Agreement that is not cured within 30 days after written notice thereof to Employee.

“ **Change of Control** ” shall mean any of the following events:

(a) A corporation, person or group acting in concert, as described in Section 14(d)(2) of the Exchange Act, holds or acquires beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act of a number of preferred or common shares of Cigna having 25% or more of the combined voting power of Cigna’s then outstanding securities;

(b) There is consummated a merger or consolidation of Cigna or any direct or indirect subsidiary of Cigna with any other corporation, other than:

(i) a merger or consolidation immediately following which the individuals who constituted the Board immediately prior thereto constitute at least a majority of the board of directors of the entity surviving such merger or consolidation or the ultimate parent thereof, or

(ii) a merger or consolidation effected to implement a recapitalization of Cigna (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of Cigna (not including in the securities Beneficially Owned by such Person any securities acquired directly from Cigna or its Affiliates) representing 25% or more of the combined voting power of Cigna’s then outstanding securities;

(c) A change occurs in the composition of the Board at any time during any consecutive 24-month period such that the Continuity Directors cease for any reason to constitute a majority of the Board. For purposes of the preceding sentence, “ **Continuity Directors** ” shall mean those members of the Board who either: (i) were directors at the beginning of such consecutive 24-month period or (ii) were elected by, or on nomination or recommendation of, at least a majority of the Board (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Cigna); or

(d) The shareholders of Cigna approve a plan of complete liquidation or dissolution of Cigna or there is consummated an agreement for the sale or disposition by Cigna of all or substantially all of Cigna’s assets, other than a sale or disposition by Cigna of all or substantially all of Cigna’s assets immediately following which the individuals who constituted the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or any parent thereof.

Notwithstanding the foregoing, a “Change of Control” shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of Cigna immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity that owns all or substantially all of the assets of Cigna immediately following such transaction or series of transactions.

" **Closing Date** " shall mean the date on which the Effective Time occurs.

" **Code** " shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

" **Confidential Information** " shall mean all information that is (a) disclosed to or known by Employee as a consequence of or through Employee's employment with the Company and (b) not generally known to persons, corporations, organizations or others outside of the Company. Confidential Information includes, but is not limited to, technical or non-technical data, formulas, computer programs, devices, methods, techniques, processes, financial data, personnel data, customer-specific information, confidential customer lists, production and sales information, supplier-specific information, cost information, marketing plans and strategies, or other data or information that constitutes a trade secret or is otherwise treated as being confidential by the Company.

" **Covenant** " shall mean any of Sections 7, 8, 9 or 10 of this Agreement.

" **Covered Customer** " shall mean any and all customers of the Company who were customers during the 12-month period prior to Employee's date of termination and with whom Employee dealt or had more than casual contact in connection with Company business during and by virtue of Employee's employment with the Company.

" **Covered Vendor** " shall mean any and all vendors of the Company with whom Employee dealt or had more than casual contact in connection with Company business during and by virtue of Employee's employment with the Company.

" **Effective Time** " shall have the meaning given to it in the Merger Agreement.

" **Exchange Act** " shall mean the Securities Exchange Act of 1934, as amended.

" **Good Reason** " shall mean any of the following actions that is effected by the Company:

(a) A reduction of Employee's base salary as in effect immediately following the Effective Time;

(b) A reduction of Employee's annual target bonus opportunity as in effect immediately following the Effective Time;

(c) Any material reduction in the nature or scope of Employee's responsibilities as in effect immediately following the Effective Time that is not cured within 30 days after written notice thereof by Employee to the Company; or

(d) A requirement by the Company, without Employee's consent, to relocate Employee to a location that is greater than 50 miles from the location of the office in which

Employee primarily performs Employee's duties of employment immediately following the Effective Time;

provided that written notice of Employee's resignation for Good Reason must be delivered to the Company within 45 days after the occurrence of any such Company action in order for Employee's resignation with Good Reason to be effective hereunder.

" **Payment** " shall mean any payment or distribution in the nature of compensation (within the meaning of Section 280G(b)(2)(A) of the Code) to or for Employee's benefit, whether paid or payable pursuant to this Agreement or otherwise pursuant to any plan, agreement or understanding between Employee and the Company that, within the meaning of Section 280G(b)(2)(A)(i) of the Code, is contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company.

" **Person** " shall mean an individual, a corporation, an association, a partnership, an estate, a trust or other entity or organization (including a "group" as defined in Section 13(d)(3) or 14(d)(2) of the Exchange Act).

2. **Effective Time** . This Agreement shall become effective as of the Effective Time and shall supersede the Severance and Noncompetition Agreement by and between HealthSpring and Employee dated as of August 23, 2011 (the " **Prior Agreement** "). In the event that the Effective Time does not occur for any reason, this Agreement shall be null and void *ab initio* and of no force and effect.

3. **Retention and Performance Bonus Payments** .

(a) *Stay Bonus* . On the first payroll date following the date set forth on Appendix A as the Stay Bonus Payment Date (the " **Stay Bonus Payment Date** "), subject to Employee's continuous employment with the Company through the Stay Bonus Payment Date, the Company shall pay Employee a lump sum payment in cash in the amount set forth on Appendix A as the Stay Bonus Amount (the " **Stay Bonus** "); *provided* that if, prior to the Stay Bonus Payment Date, whether before or after a Change in Control, Employee's employment is terminated by the Company without Cause, by Employee for Good Reason or by reason of Employee's death or disability, the Company shall pay Employee the Stay Bonus within 30 days of the date of termination of Employee's employment subject to any delay required pursuant to Section 16 of this Agreement and, except in the case of a termination by reason of Employee's death, so long as Employee executes, delivers and does not revoke a general release substantially in the form of the release attached hereto as Appendix B (the " **General Release** ") prior to such payment date. For purposes of clarity, whenever the execution of the General Release is required for payment of any amount or receipt of any benefit under this Agreement, such requirement is intended to apply only in the event such payment or benefit is due Employee as the result of Employee's termination of employment and in no other instances or circumstances.

(b) *Equity Awards* . (i) On the Closing Date, if such date is during a Cigna open window period, or, if the Closing Date is not during a Cigna open window period, on the first day of a Cigna open window period following the Closing Date (the " **Grant Date** "), subject to terms and conditions approved by the People Resources Committee of the Board (the " **PRC** "), which will be substantially similar to those of awards granted to similarly situated employees, Employee will be granted, under the terms of the Cigna Long-Term Incentive Plan (the " **Plan** "), (A) three awards of Strategic Performance Shares (the " **Sign-On Equity Awards** ") and (B) an award of restricted shares of Cigna Corporation common stock (the " **Restricted Stock Grant** ").

(ii) Each Sign-On Equity Award shall consist of a whole number of Strategic Performance Shares equal to the applicable amount set forth on Appendix A as the Sign-On Equity Award Value, *divided* by the Fair Market Value as defined in the Plan for a share of Cigna common stock on the Grant Date. Each Sign-On Equity Award shall vest and be payable on the applicable date set forth on Appendix A as the Sign-On Equity Award Vesting Date (each, a " **Sign-On Equity Award Vesting Date** "), subject to Employee's continuous employment with the Company through such Sign-On Equity Award Vesting Date; *provided* that each Sign-On Equity Award shall immediately vest in full and no longer be subject to forfeiture if, prior to the applicable Sign-On Equity Award Vesting Date, Employee's employment is terminated by reason of Employee's death or disability. In such event, the Sign-On Equity Awards will remain payable on the Sign-On Equity Award Vesting Dates provided in Appendix A , subject to any delay required by Section 409A of the Code as described in Section 16 of this Agreement. Except as otherwise provided in this paragraph, the terms of the Sign-On Equity Awards shall be consistent with the terms of the Plan applicable to Strategic Performance Shares and the award agreements thereunder, and Employee's grant under this Section 3(b) shall be subject to Employee's execution of such applicable agreements.

(iii) The Restricted Stock Grant shall consist of a whole number of restricted shares of Cigna Corporation common stock equal to the applicable amount set forth on Appendix A as the Restricted Stock Grant Value, *divided* by the Fair Market Value as defined in the Plan for a share of Cigna common stock on the Grant Date. The restrictions on the Restricted Stock Grant shall lapse on the date set forth on Appendix A as the Restricted Stock Grant Vesting Date (the " **Restricted Stock Grant Vesting Date** "), subject to Employee's continuous employment with the Company through such Restricted Stock Grant Vesting Date; *provided* that the Restricted Stock Grant shall immediately vest in full and no longer be subject to forfeiture if, prior to the Restricted Stock Grant Vesting Date, Employee's employment is terminated by the Company without Cause, by Employee for Good Reason or by reason of Employee's death or disability, subject to, except in the case of a termination by reason of Employee's death, Employee executing, delivering and not revoking the General Release prior to such vesting. Except as otherwise provided in this paragraph, the terms of the Restricted Stock Grant shall be consistent with the terms of the Plan applicable to Restricted Stock Grants and the award agreements thereunder, and Employee's Restricted Stock Grant under this Section 3(b) shall be subject to Employee's execution of such applicable agreements.

(c) *Special Performance Bonus* . (i) Employee shall be eligible to receive a lump sum payment in cash of up to the amount set forth on Appendix A as the Special Performance Bonus Target (the " **Special Performance Bonus** "). The amount of the Special Performance Bonus to be paid to Employee, if any, shall be based on Employee's and HealthSpring's performance in 2012 as determined in the discretion of Cigna's CEO in consultation with the PRC, as applicable. The Company shall pay Employee the Special Performance Bonus, if any, in March 2013. For the avoidance of doubt, the Special Performance Bonus, if any, shall be in addition to, and not in lieu of, any payment Employee may receive under Cigna's Management Incentive Plan (" **MIP** ") or HealthSpring's annual bonus plan.

(ii) Notwithstanding the foregoing, in the event of a Change of Control prior to the determination date of the Special Performance Bonus amount to be paid to Employee, the amount of the Special Performance Bonus to be paid to Employee shall be the Special Performance Bonus Target set forth on Appendix A . In the event Employee's employment is terminated by the Company without Cause, by Employee for Good Reason or by reason of Employee's death or disability following a Change in Control but before the Special Performance Bonus has been paid to Employee, the Company shall pay Employee the Special Performance Bonus within 30 days of the date of termination of Employee's employment subject to any delay required pursuant to Section 16 of this Agreement and, except in the case of a termination by reason of Employee's death, so long as Employee executes, delivers and does not revoke the General Release.

(d) For the avoidance of doubt, and notwithstanding anything herein or in any applicable plan document to the contrary, neither the Sign-on Bonus, the Stay Bonus, the Sign-On Equity Awards, the Restricted Stock Grant nor the Special Performance Bonus shall be treated as "eligible earnings" or otherwise taken into account in computing any benefits under any plan, program or arrangement of Cigna, HealthSpring or their respective Affiliates.

4. **Rollover Equity** . Upon the Effective Time, Employee's Former Awards will be rolled over into Rollover Awards, and the "Good Reason" definition under Employee's Former Awards and all related rights are waived in their entirety and replaced in the Rollover Awards with the "Good Reason" definition set forth in Section 1 of this Agreement. To the extent that any award agreement with respect to any of Employee's Rollover Awards provides for accelerated vesting or other payment or benefits upon a termination of employment (other than due to death), such acceleration, payment or benefit is subject to Employee executing, delivering and not revoking a general release acceptable to Cigna.

5. **Restriction on Option Exercise** . From the date of the Merger Agreement until the earlier of the Effective Time and the date, if any, on which the Merger Agreement is terminated in accordance with Section 8.1 of the Merger Agreement, Employee shall not exercise any options to purchase HealthSpring common stock, whether vested as of, or subsequent to, the date hereof.

6. **Lock-Up of Cigna Shares** .

(a) Subject to Section 6(b), until the earlier of the date set forth in Appendix A as the Lock-Up Date and the termination of Employee's employment with Cigna and its subsidiaries (1) for Good Reason, (2) without Cause or (3) by reason of Employee's death or disability (the " **Lock-Up Period** "), Employee shall not (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any share of Cigna common stock acquired through the exercise or settlement of any of Employee's Rollover Awards (the " **Restricted Cigna Shares** ") or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Restricted Cigna Shares, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Restricted Cigna Shares, in cash or otherwise (any such transaction described in clause (i) or (ii), a " **Transfer** ").

(b) Employee may Transfer the Restricted Cigna Shares (i) as a *bona fide* gift or gifts, provided that the donee or donees thereof agree to be bound in writing by the restrictions set forth herein, (ii) to any trust for the direct or indirect benefit of Employee or the immediate family of Employee, provided that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein, and provided further that any such Transfer shall not involve a disposition for value, or (C) with the prior written consent of Cigna. For purposes of this Agreement, " **immediate family** " shall mean any relationship by blood, marriage or adoption, not more remote than first cousin.

(c) Employee agrees and consents to the entry of stop transfer instructions with Cigna's transfer agent and registrar against the Transfer of the Restricted Cigna Shares except in compliance with the foregoing restrictions.

7. Noncompete; Nonsolicitation .

(a) In further consideration of Employee's benefits hereunder and as a condition of Employee's continued employment with the Company after the Effective Time, Employee acknowledges that during the course of Employee's employment with the Company, Employee has and will become familiar with the Company's trade secrets and with other Confidential Information concerning the Company and that Employee's services have been and shall continue to be of special, unique, and extraordinary value to the Company. Employee agrees that, during Employee's employment with the Company and for the length of time set forth in Appendix A as the Noncompete Period following the termination of Employee's employment with the Company (the " **Noncompete Period** "), Employee shall not directly or indirectly own any interest in, manage, control, participate in, consult with, render services for, be employed in an executive, managerial or administrative or other capacity by, or in any manner engage in any (i) independent practitioner administration business anywhere within the United States or (ii) other business that competes directly or indirectly with any product or service of the HealthSpring business, whether operated by HealthSpring or any other Affiliate of Cigna, as such business exists on the date of the termination of Employee's employment with the Company (such business, a " **HealthSpring Competitor** ") in any of the following markets: Nashville, Tennessee; Memphis, Tennessee; East Tennessee; Miami-Dade, Florida; Gulf Coast of Texas; Houston, Texas; Dallas, Texas; and Central Alabama. Nothing herein shall prohibit Employee from (1) being a passive owner of not more than 2% of the outstanding stock of any class of a corporation that is publicly traded, so long as Employee has no active participation in the business of such corporation; (2) becoming employed, engaged, associated or otherwise participating with a separately managed division or subsidiary of a competitive business provided that such separately managed division or subsidiary is itself not a HealthSpring Competitor and Employee's services are provided only to such division or subsidiary; or (3) accepting employment with any federal or state government or governmental subdivision or agency.

(b) During the Noncompete Period, Employee shall not directly or indirectly through another Person (i) induce or attempt to induce any employee of the Company to leave the employ of the Company, or in any way interfere with the relationship between the Company and any employee thereof; (ii) hire anyone who was an employee of the Company at any time during the 12-month period immediately prior to the termination of his or her employment with the Company; or (iii) induce or attempt to induce any Covered Customer or Covered Vendor to cease or materially reduce doing business with the Company, or in any way interfere with the relationship between the Company and any such Covered Customer or Covered Vendor (including, without limitation, making any negative or disparaging statements or communications regarding the Company). Notwithstanding the foregoing, nothing in this Agreement shall prohibit Employee from employing an individual (1) with the consent of the Company or (2) who responds to general solicitations in publications or on websites, or through the use of search firms, so long as such general solicitations or search firm activities are not targeted specifically at an employee of the Company. In addition, nothing in this Agreement will prohibit the making of any truthful statements made by any Person in response to a lawful subpoena or legal proceeding or to enforce such Person's rights under this Agreement, or any other agreement between Employee and the Company.

8. Confidentiality; Trade Secrets .

(a) Employee acknowledges that the Company continually develops Confidential Information, that Employee may develop Confidential Information for the Company, and that Employee may learn of Confidential Information during the course of Employee's employment. Employee agrees that all Confidential Information that Employee creates or to which Employee has access as a result of Employee's employment, whether before or after the date of this Agreement, is and shall remain the sole and exclusive property of the Company and that Employee will comply with the policies and procedures of the Company for protecting Confidential Information. Employee further agrees that, except as required for the proper performance of Employee's duties for the Company or as required by applicable law (and then only to the extent required), Employee will not, directly or indirectly, use for Employee's own benefit or gain, or assist others in applying or disclosing, any Confidential Information. Employee understands and agrees that these restrictions will continue to apply after Employee's employment terminates, regardless of the reason for termination and regardless whether Employee is receiving or is entitled to receive any payments or other benefits under this Agreement.

(b) Employee acknowledges that all discoveries, concepts, ideas, inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports, patent applications, copyrightable work and mask work (whether or not including any Confidential Information) and all registrations or applications related thereto, all other proprietary information and all similar or related information (whether or not patentable) that relate to the Company's actual or anticipated business, research and development or existing or future products or services and that are conceived, developed or made by Employee (whether alone or jointly with others) while employed by the Company, whether before or after the date of this Agreement (" **Work Product** "), belong to the Company. Employee shall promptly disclose all patentable inventions and other material Work Product to the Board and, at the Company's expense, perform all actions reasonably requested by the Board (whether during or after Employee's employment with the Company) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). Employee acknowledges that all Work Product shall be deemed to constitute "works made for hire" under the U.S. Copyright Act of 1976, as amended. In accordance with Title 19, Section 805 of the Delaware Code, Employee is hereby advised that this Section 8(b) regarding the Company's ownership of Work Product does not apply to any invention for which no equipment, supplies, facilities or trade secret information of the Company was used and that was developed entirely on Employee's own time, unless (i) the invention relates to the business of the Company or to the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Employee for the Company.

9. **Cooperation**. Employee agrees to cooperate with the Company in all investigations, litigation and arbitrations of any kind, to assist and cooperate in the preparation and review of documents and in meetings with Company attorneys, and to provide truthful testimony as a witness or a declarant in connection with any present or future court, administrative agency, or arbitration proceeding involving the Company and with respect to which Employee has relevant information. The Company will reimburse Employee, upon production of appropriate receipts and in accordance with Cigna's then existing Business Travel Reimbursement Policy, for the reasonable business expenses (including air transportation, hotel and similar expenses) incurred by Employee in connection with such assistance. All receipts for such expenses must be presented for reimbursement within 45 days after the expenses are incurred in providing such assistance.

10. **Non-Disparagement**. Employee agrees that Employee will not at any time make any verbal or written statement, whether in public or in private, that disparages in any way the Company's integrity, business reputation or performance or disparages any of the Company's directors, officers or employees. It shall not, however, be a violation of this paragraph for Employee to make truthful statements (a) when required to do so by a court of law or arbitrator, by any governmental agency having supervisory authority over the Company's business or by any administrative or legislative body (including a committee thereof) with actual or apparent jurisdiction to order Employee to divulge, disclose or make accessible such information or (b) to the extent necessary with respect to any litigation, arbitration or mediation involving this Agreement, including but not limited to, enforcement of this Agreement.

11. **Entire Agreement**. This Agreement shall supersede any and all prior oral or written representations, understandings and agreements of Employee and the Company or HealthSpring or any of its Affiliates with respect to Employee's employment relationship, including but not limited to the Prior Agreement, and this Agreement contains the entire agreement of the parties with respect to those matters; no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party that are not set forth expressly in this Agreement. Notwithstanding the prior sentence, this Agreement shall not supersede any award agreements entered into between the Company and Employee with respect to the Rollover Awards, the Sign-on Equity Awards and the Restricted Stock Grant nor any employee benefit plans of the Company that are applicable to Employee. Employee hereby agrees that, in consideration for entering into this Agreement, effective as of the Effective Time, the Prior Agreement shall be null and void and no Person or entity shall be obligated to pay to Employee or any Person any amounts in respect of the Prior Agreement.

12. Enforceability and Remedies.

(a) Employee agrees that the restrictions on, and other provisions relating to, Employee's activities contained in this Agreement are fully reasonable and necessary to protect the goodwill, Confidential Information, and other legitimate interests of the Company. Employee also acknowledges and agrees that, were Employee to breach the provisions of this Agreement, the harm to the Company would be irreparable. Employee therefore agrees that in the event of such a breach or threatened breach the Company shall, in addition to any other remedies available to it, have the right to obtain preliminary and permanent injunctive relief against any such breach without having to post bond. Employee further agrees that, in addition to any other relief awarded to the Company as a result of Employee's breach of any of the provisions of this Agreement, the Company shall be entitled to recover all payments made to Employee or on Employee's behalf hereunder.

(b) Employee hereby agrees that in the event any provision of this Agreement shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too long a time, too large a geographic area, or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

(c) Employee and the Company hereby agree that that any controversy or proceeding arising out of or relating to the Covenants shall be brought exclusively in the United States District Court for the Middle District of Tennessee or, if different, for the state in which the office in which Employee primarily performs Employee's duties of employment is located ("**Federal Court**") or in any Tennessee court or, if different, court of the state in which the office in which Employee primarily performs Employee's duties of employment is located where venue is appropriate and that has subject matter jurisdiction over the dispute (collectively, "**Tennessee Courts**") if the Federal Court lacks subject matter jurisdiction to adjudicate the dispute or controversy. Additionally, Employee and the Company expressly waive any defense of inconvenient forum and any other venue or jurisdiction-related defenses that each might otherwise have in such a proceeding brought in the Federal Court or the Tennessee Courts.

13. Assignment. Neither Cigna nor Employee may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other; *provided*, *however*, that Cigna may assign its rights and obligations under this Agreement without Employee's consent to any successor entity of Cigna. This Agreement shall inure to the benefit of and be binding upon Cigna, its successors (including, without limitation, any transferee of all or substantially all of its assets to any successor entity of Cigna), and permitted assigns and upon Employee, Employee's executors, administrators, heirs, and permitted assigns.

14. Notices. Any and all notices, requests, demands, acceptances, appointments and other communications provided for by this Agreement shall be in writing (including electronic mail or similar electronic transmission) and shall be effective when actually delivered in person or, if mailed, five days after having been deposited in the United States mail, postage prepaid, registered or certified and addressed to Employee at Employee's last known address on the books of the Company or, in the case of the Company, addressed to:

Cigna Executive Compensation
1601 Chestnut Street
Philadelphia, PA 19192

15. **Withholding**. All compensation paid or provided to Employee under this Agreement shall be subject to any applicable income, payroll or other tax withholding requirements.

16. **Section 409A**. (a) It is intended that this Agreement comply with the requirements of Section 409A of the Code, and this Agreement shall be so administered and interpreted. The PRC or the Company may make any changes required to conform this Agreement with applicable Code provisions and regulations relating to deferral of compensation under Section 409A of the Code; *provided, however*, that such changes shall not adversely affect the rights or net benefits to which Employee is entitled hereunder. Notwithstanding anything to the contrary in this Agreement, if the Company determines (i) that on the date Employee's employment with the Company terminates or at such other time that the Company determines to be relevant, Employee is a "specified employee" (as such term is defined under Treasury Regulation 1.409A-1(i)(1)) of the Company and (ii) that any payments to be provided to Employee pursuant to this Agreement are or may become subject to the additional tax under Section 409A(a)(1)(B) of the Code or any other taxes or penalties imposed under Section 409A of the Code ("**Section 409A Taxes**") if provided at the time otherwise required under this Agreement, then such payments shall be delayed until the date that is six months after the date of Employee's "separation from service" (as such term is defined under Treasury Regulation 1.409A-1(h)) with the Company, or such shorter period that, as determined by the Company, is sufficient to avoid the imposition of Section 409A Taxes. For the avoidance of doubt, it is anticipated that payments qualifying for the exemption from application of Section 409A of the Code pursuant to Treasury Regulation 1.409A-1(b)(9)(iii) will be made during this six-month period, if applicable. Any payments delayed pursuant to this Section 16 shall be made in a lump sum on the first day of the seventh month following Employee's "separation from service" (as such term is defined under Treasury Regulation 1.409A-1(h)), or such earlier date that, as determined by the Company, is sufficient to avoid the imposition of any Section 490A Taxes.

(b) Notwithstanding anything herein to the contrary except for Section 15(a), any payment to made hereunder that is subject to the execution of the General Release, shall be paid to Employee within 60 days of Employee's date of termination of employment in a lump sum in the payroll period immediately following the effective date of the General Release; *provided, however*, if such 60 day period begins in one taxable year of Employee and ends in a subsequent taxable year of Employee, the payment shall be made following the effective date of the General Release, but in the first payroll period ending in such subsequent taxable year of Employee.

(c) For purposes of any payment due hereunder upon a termination of employment that is subject to the provisions of Section 409A of the Code, such phrase or any similar phrase shall mean a "separation from service" as defined by the default provisions of Treasury Regulation 1.409A-1(h).

(d) By accepting this Agreement, Employee hereby agrees and acknowledges that the Company makes no representations with respect to the application of Section 409A of the Code to any tax, economic, or legal consequences of any payments payable to Employee hereunder (including, without limitation, payments pursuant to Section 3 of this Agreement) and, by the acceptance of this Agreement, Employee agrees to accept the potential application of Section 409A of the Code to the tax and legal consequences of payments payable to Employee hereunder (including, without limitation, payments pursuant to Section 3 of this Agreement). The parties agree to cooperate in good faith to amend such documents and to take such actions as may be necessary or appropriate to comply with Section 409A of the Code.

17. **Section 280G**. Notwithstanding anything in this Agreement to the contrary, in the event that it shall be determined that any Payment would constitute an "excess parachute payment" within the meaning of Section 280G(b) of the Code and as a result the net amount of such Payment received by Employee is less than the net amount the Employee would have received without the additional payment or benefit, the amount of the Payment shall be reduced so that Employee receives the maximum amount of the Payment possible without incurring any tax under Section 4999 of the Code. Any such reduction shall, if necessary, be made in the following order: first, any cash Payments; second, any equity awards including the Sign-On Equity Award, the Restricted Stock Grant, the Rollover Awards, stock options and restricted stock grants; and, third, any employee benefits. The value of any Payment for purposes of this Section 17 shall be established by a third-party certified public accounting firm designated by the Company and by applying principles, assumptions and procedures consistent with Section 280G of the Code.

18. **Other Arrangements**. If any provision of this Agreement conflicts with any other agreement, policy, plan, practice or other Company document, then the provisions of this Agreement shall control. Employee shall be eligible to participate in Cigna's Executive Severance Benefits Plan. For the purposes of Cigna's Executive Severance Benefits Plan, this Agreement shall be considered an individual agreement that provides severance benefits and payments upon a termination of employment pursuant to Section 3 hereof shall be considered severance benefits.

19. **Choice of Law**. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Tennessee or, if different, of the state in which the office in which Employee primarily performs Employee's duties of employment is located, without giving effect to choice of law or conflict of law rules or provisions thereof. The parties agree that, in the event it becomes necessary to seek judicial remedies, which, for the avoidance of doubt, shall not include arbitration, for the breach or threatened breach of this Agreement, the prevailing party will be entitled, in addition to all other remedies, to recover from the non-prevailing party reasonable attorneys' fees and costs upon the entry of a final nonappealable judgment.

20. **Arbitration**. Employee and the Company agree that any and all disagreements, disputes or claims listed below will be resolved exclusively by arbitration in the Philadelphia, Pennsylvania area; *provided, however*, that this arbitration provision shall not apply to claims or actions that are based (in whole or in part) on, or arise out of, the Covenants. Arbitration will be conducted in accordance with the Employment Dispute Resolution Rules of the American

Arbitration Association. Copies of the Arbitration Policy and Rules and Procedures are available to Employee upon request. A legal judgment based upon the arbitrator's award may be entered in any court having jurisdiction over the matter. Each party shall be liable for its own costs and expenses (including attorneys' fees) of any arbitration. Except with respect to the Covenants, Employee and the Company agree to arbitrate anything:

(a) related in any way to this Agreement or how it is interpreted or implemented; and

(b) that involves Employee's employment with the Company or the termination of that employment, including any disputes arising under local, state or federal statutes or common law.

21. **Miscellaneous**. (a) The headings and captions in this Agreement are for convenience only and in no way define or describe the scope or content of any provision of this Agreement. Nothing herein shall be deemed to create an employment contract, and Employee acknowledges that Employee's employment by the Company is terminable at will by either party with or without cause and with or without notice. This Agreement may not be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in a writing signed by Employee and a duly authorized officer of the Company. Each party shall perform such further acts and execute and deliver such further documents as may be reasonably necessary to carry out the provisions of this Agreement.

(b) This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together constitute one and the same instrument. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first written above.

CIGNA CORPORATION

By: /s/ John Murabito

Its: Executive Vice President

Herbert A. Fritch

/s/ Herbert A. Fritch

Exhibit 10.2

AGREEMENT

THIS AGREEMENT, dated as of December 7, 2011, is by and between Cigna Corporation, a Delaware corporation (“ **Cigna** ”) and Herbert Fritch (“ **Employee** ”).

WHEREAS, Cigna and Employee are parties to the Executive Retention Agreement dated as of October 24, 2011 (the “ **Retention Agreement** ”) that sets forth the terms and conditions of Employee’s retention by the Company; and

WHEREAS, Employee has requested the ability to change the form of equity subject to the lock-up pursuant to the Retention Agreement to shares of Cigna common stock (“ **Cigna Shares** ”) rather than options to purchase Cigna Shares;

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Terms not defined herein shall have the meaning set forth in the Retention Agreement.

2. Effective as of the date hereof, Employee agrees to exchange, immediately prior to the Effective Time (the “ **Exchange Time** ”), the HealthSpring Exchange Shares (as defined below) for a number of Cigna Shares (the “ **Cigna Exchange Shares** ”) equal to the product of (i) the number of HealthSpring Exchange Shares *multiplied by* (ii) an exchange ratio, the numerator of which shall be the Merger Consideration (as defined in the Merger Agreement and which, for the avoidance of doubt, is $55.00) and the denominator of which shall be the volume-weighted average price of Cigna common stock on the NYSE during the trading day on the Business Day (as defined in the Merger Agreement) preceding the Closing Date (the “ **Cigna Share Price** ”). Any fractional Cigna Share resulting from the exchange will be rounded down to the nearest whole share. In lieu of any such fractional share, Employee will be entitled to an amount in cash equal to the product of (1) the amount of the fractional share *multiplied by* (2) the Cigna Share Price.

The “ **HealthSpring Exchange Shares** ” shall be the number of shares of common stock of HealthSpring, Inc., a Delaware corporation (the “ **HealthSpring Shares** ”) equal to (A) the number of HealthSpring Shares underlying all options to purchase HealthSpring Shares exercised by Employee between the date hereof and the Exchange Time (the “ **Exercised Options** ”) minus (B) the number of HealthSpring Shares equal to (1) the sum of (x) the weighted average exercise price of the Exercised Options multiplied by the number of HealthSpring Shares underlying the Exercised Options plus (y) the dollar value of the income tax withholding obligation (computed using a tax rate of 35%) and any other applicable payroll withholding required by law with respect to the Exercised Options divided by (2) the Merger Consideration (for the avoidance of doubt, the result of the calculation in clause (B) shall be expressed as a numeral and not as a dollar amount).

3. The Retention Agreement shall be modified as follows:

(a) Section 5 of the Retention Agreement is hereby amended to read as follows, and such section shall be effective as of the date hereof:

5. **Restriction on Option Exercise** . From January 1, 2012 until the earlier of the Effective Time and the date, if any, on which the Merger Agreement is terminated in accordance with Section 8.1 of the Merger Agreement, Employee shall not exercise any options to purchase HealthSpring common stock, whether vested as of, or subsequent to, the date hereof.

(b) Section 6(a)(i) of the Retention Agreement is hereby amended to read as follows:

(i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any share of Cigna common stock acquired through the exercise or settlement of any of Employee's Rollover Awards or any Cigna Exchange Shares, as defined in the Agreement between Cigna and Employee dated December 7, 2011 (together, the " **Restricted Cigna Shares** ") or

4. Except as expressly modified hereby, the Retention Agreement shall continue unmodified and in full force and effect.

5. (a) Nothing herein shall be deemed to create an employment contract, and Employee acknowledges that Employee's employment by the Company is terminable at will by either party with or without cause and with or without notice. This Agreement may not be modified, waived, or discharged unless such waiver, modification, or discharge is agreed to in a writing signed by Employee and a duly authorized officer of the Company. Each party shall perform such further acts and execute and deliver such further documents as may be reasonably necessary to carry out the provisions of this Agreement.

(b) This Agreement may be executed in two or more counterparts, each of which shall be an original and all of which together constitute one and the same instrument. If any term or other provision of this Agreement is invalid, illegal, or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, to be effective as of the date first written above.

CIGNA CORPORATION

By: /s/ John Murabito

John Murabito

Its: Executive Vice President

Herbert A. Fritch

/s/ Herbert A. Fritch

Exhibit 10.3

HEALTHSPRING, INC.

AMENDED AND RESTATED
2006 EQUITY INCENTIVE PLAN

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HEALTHSPRING, INC.
AMENDED AND RESTATED
2006 EQUITY INCENTIVE PLAN

Section 1. Purpose.

This plan shall be known as the “HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan” (the “Plan”). The purpose of the Plan is to promote the interests of HealthSpring, Inc., a Delaware corporation (the “Company”), its Subsidiaries and its stockholders by (i) attracting and retaining key officers, employees, and directors of, and consultants to, the Company and its Subsidiaries and Affiliates; (ii) motivating such individuals by means of performance-related incentives to achieve long-range performance goals; (iii) enabling such individuals to participate in the long-term growth and financial success of the Company; (iv) encouraging ownership of stock in the Company by such individuals; and (v) linking their compensation to the long-term interests of the Company and its stockholders. With respect to any awards granted under the Plan that are intended to comply with the requirements of “performance-based compensation” under Section 162(m) of the Code, the Plan shall be interpreted in a manner consistent with such requirements.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) **“Acquiror”** has the meaning set forth in Section 13(a) hereof.

(b) **“Affiliate”** shall mean (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company has a significant equity interest, (iii) an affiliate of the Company, as defined in Rule 12b-2 promulgated under Section 12 of the Exchange Act, and (iv) any entity in which the Company has at least twenty percent (20%) of the combined voting power of the entity’s outstanding voting securities, in each case as designated by the Board as being a participating employer in the Plan.

(c) **“Assumed Award”** has the meaning set forth in Section 13(a) hereof.

(d) **“Award”** shall mean any Option, Stock Appreciation Right, Restricted Share, Restricted Share Unit, Performance Award, or Other Stock-Based Award granted under the Plan, whether singly, in combination or in tandem, to a Participant by the Committee (or the Board) pursuant to such terms, conditions, restrictions and/or limitations, if any, as the Committee (or the Board) may establish.

(e) **“Award Agreement”** shall mean any written agreement, contract or other instrument or document evidencing any Award, which may, but need not, be executed or acknowledged by a Participant.

(f) **“Board”** shall mean the Board of Directors of the Company.

(g) **“Cause”** shall mean, unless otherwise defined in the applicable Award Agreement, with respect to a Participant, one or more of the following: (i) the conviction of a felony or a crime involving moral turpitude; (ii) the commission of any act or omission involving material dishonesty or fraud with respect to the Company or any of its Subsidiaries; (iii) reporting to work under the influence of illegal drugs or the use of illegal drugs (whether or not at the workplace); (iv) repeated conduct causing the

Company or any of its Subsidiaries substantial public disgrace or disrepute or substantial economic harm; (v) the continued and repeated failure to perform substantially the duties of his or her employment after 30 days' notice from the Company, such notice setting forth in reasonable detail the nature of such failure, and in the event the Participant fails to cure such failure within 30 days of notice from the Company, if such failure is capable of being cured; (vi) breach of fiduciary duty or engaging in gross negligence or willful misconduct with respect to the Company or any of its Subsidiaries; or (vii) any other material breach of any employment, severance or similar agreement which is not cured within 30 days after written notice thereof to the Participant. Any determination of Cause for purposes of the Plan or any Award shall be made by the Committee in its sole discretion. Any such determination shall be final and binding on a Participant.

(h) **"Change in Control"** shall mean any of the following events:

(i) any person or entity, including a "group" as defined in Section 13(d)(3) of the Exchange Act other than the Company or a wholly-owned subsidiary thereof or any employee benefit plan of the Company or any of its Subsidiaries, becomes the beneficial owner of the Company's securities having 35% or more of the combined voting power of the then outstanding securities of the Company that may be cast for the election of directors of the Company (other than as a result of an issuance of securities initiated by the Company in the ordinary course of business);

(ii) as the result of, or in connection with, any cash tender or exchange offer, merger or other business combination or contested election, or any combination of the foregoing transactions, less than a majority of the combined voting power of the then outstanding securities of the Company or any successor company or entity entitled to vote generally in the election of the directors of the Company or such other corporation or entity after such transaction are held in the aggregate by the holders of the Company's securities entitled to vote generally in the election of directors of the Company immediately prior to such transaction;

(iii) during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Board cease for any reason to constitute at least a majority thereof, unless the election, or the nomination for election by the Company's shareholders, of each director of the Company first elected during such period was approved by a vote of at least two-thirds (2/3rds) of the directors of the Company then still in office who were (i) directors of the Company at the beginning of any such period, and (ii) not initially (a) appointed or elected to office as result of either an actual or threatened election and/or proxy contest by or on behalf of a Person other than the Board, or (b) designated by a Person who has entered into an agreement with the Company to effect a transaction described in (i) or (ii) above or (iv) or (v) below;

(iv) a complete liquidation or dissolution of the Company; or

(v) the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, with respect to any Award that is subject to Section 409A of the Code, "Change in Control" shall have a meaning consistent with Section 1.409A-3(i)(5) of the U.S. Treasury Regulations.

(i) **"Code"** shall mean the Internal Revenue Code of 1986, as amended from time to time.

(j) **“Committee”** shall mean a committee of the Board composed of not less than two Non-Employee Directors, at least two of whom shall be (i) a “non-employee director” for purposes of Exchange Act Section 16 and Rule 16b-3 thereunder, and (ii) an “outside director” for purposes of Section 162(m) and the regulations promulgated thereunder, and each of whom shall be “independent” within the meaning of the listing standards of the New York Stock Exchange.

(k) **“Consultant”** shall mean any consultant to the Company or its Subsidiaries or Affiliates.

(l) **“Covered Officer”** shall mean at any date (i) any individual who, with respect to the previous taxable year of the Company, was a “covered employee” of the Company within the meaning of Section 162(m); provided, however, that the term “Covered Officer” shall not include any such individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected not to be such a “covered employee” with respect to the taxable year of the Company in which the applicable Award will be paid or vested, as applicable, and (ii) any individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected to be such a “covered employee” with respect to the current taxable year of the Company or with respect to the taxable year of the Company in which any applicable Award will be paid or vested.

(m) **“Director”** shall mean a member of the Board.

(n) **“Disability”** shall mean, unless otherwise defined in the applicable Award Agreement, a disability that would qualify as a total and permanent disability under the Company’s then current long-term disability plan.

(o) **“Employee”** shall mean a current or prospective officer or employee of the Company or of any Subsidiary or Affiliate.

(p) **“Exchange Act”** shall mean the Securities Exchange Act of 1934, as amended from time to time.

(q) **“Fair Market Value”** with respect to the Shares on any date shall mean (i) the reported closing sales price of the Shares on the New York Stock Exchange, or any other such exchange or market as is the principal trading market for the Shares, on such date, or in the absence of reported sales on such date, the closing sales price on the immediately preceding date on which sales were reported or (ii) in the event there is no public market for the Shares on such date, the fair market value as determined, in good faith and by the application of a reasonable valuation method, by the Board or the Committee in its sole discretion; provided, that for purposes of a sale of a Share as of any date, including pursuant to a Change in Control, “Fair Market Value” shall mean the actual sale price on that date.

(r) **“Good Reason”** shall mean, unless otherwise defined in the applicable Award Agreement, if a Participant resigns from his or her employment with the Company and its Subsidiaries in connection with one or more of the following events: (i) a reduction of 10% or more of the Participant’s base salary; (ii) a reduction of 10% or more of the Participant’s annual target bonus opportunity; (iii) any material reduction to the nature or scope of the Participant’s responsibilities, which is not cured within 30 days after written notice thereof by the Participant to the Company; or (iv) a requirement by the Company, without the Participant’s consent, to relocate the Participant to a location that is greater than 50 miles from the location of the office in which the Participant primarily performs his or her duties of employment at the time of such relocation; provided that written notice of the Participant’s resignation for Good Reason must be delivered to the Company within 45 days after the occurrence of any such event in order for the Participant's resignation with Good Reason to be effective hereunder. For purpose of this definition, the term "Company" shall also include any Acquiror following a Change in Control.

(s) **"Grant Price"** shall mean the price established at the time of grant of an SAR pursuant to Section 6 used to determine whether there is any payment due upon exercise of the SAR.

(t) **"Incentive Stock Option"** shall mean an option to purchase Shares from the Company that is granted under Section 6 of the Plan and that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

(u) **"Non-Employee Director"** shall mean a member of the Board who is not an officer, employee or consultant of the Company or any Subsidiary or Affiliate.

(v) **"Non-Qualified Stock Option"** shall mean an option to purchase Shares from the Company that is granted under Sections 6 or 10 of the Plan and is not intended to be an Incentive Stock Option.

(w) **"Option"** shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(x) **"Option Price"** shall mean the purchase price payable to purchase one Share upon the exercise of an Option.

(y) **"Other Stock-Based Award"** shall mean any Award granted under Sections 9 or 10 of the Plan. For purposes of the share limitations of Section 4.1 hereof, Other Stock-Based Awards that are not settled in cash shall be treated as a Restricted Share Award if the amounts payable thereunder will be determined by reference to the full value of a Share (as opposed to reference to the appreciation of Shares above a certain threshold).

(z) **"Participant"** shall mean any Employee, Director, Consultant or other person who receives an Award under the Plan.

(aa) **"Performance Award"** shall mean any Award granted under Section 8 of the Plan. For purposes of the share limitations of Section 4.1 hereof, a Performance Award that is not settled in cash shall be treated as a Restricted Share Award if the amounts payable thereunder will be determined by reference to the full value of a Share (as opposed to reference to the appreciation of Shares above a certain threshold).

(bb) **"Person"** shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, government or political subdivision thereof or other entity.

(cc) **"Restricted Share"** shall mean any Share granted under Sections 7 or 10 of the Plan.

(dd) **"Restricted Share Unit"** shall mean any unit granted under Sections 7 or 10 of the Plan.

(ee) **"Retirement"** shall mean, unless otherwise defined in the applicable Award Agreement, retirement of a Participant from the employ or service of the Company or any of its Subsidiaries or Affiliates in accordance with the terms of the applicable Company retirement plan or, if a Participant is not covered by any such plan, retirement on or after such Participant's 65th birthday.

(ff) **"SEC"** shall mean the Securities and Exchange Commission or any successor thereto.

(gg) **“Section 16”** shall mean Section 16 of the Exchange Act and the rules promulgated thereunder and any successor provision thereto as in effect from time to time.

(hh) **“Section 162(m)”** shall mean Section 162(m) of the Code and the regulations promulgated thereunder and any successor provision thereto as in effect from time to time.

(ii) **“Separation from Service”** shall mean a “separation from service” as defined in Section 409A of the Code and the regulations promulgated thereunder.

(jj) **“Shares”** mean shares of the common stock, $0.01 par value, of the Company.

(kk) **“Stock Appreciation Right”** or **“SAR”** shall mean a stock appreciation right granted under Sections 6 or 10 of the Plan that entitles the holder to receive, with respect to each Share encompassed by the exercise of such SAR, the amount determined by the Committee and specified in an Award Agreement. In the absence of such a determination, the holder shall be entitled to receive, with respect to each Share encompassed by the exercise of such SAR, the excess of the Fair Market Value of a Share on the date of exercise over the Grant Price.

(ll) **“Subsidiary”** shall mean any Person (other than the Company) of which 50% or more of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company.

(mm) **“Substitute Awards”** shall mean Awards granted solely in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Company or with which the Company combines.

Section 3. Administration.

3.1 *Authority of Committee*. The Plan shall be administered by the Committee, which shall be appointed by and serve at the pleasure of the Board; provided, however, with respect to Awards to Non-Employee Directors, all references in the Plan to the Committee shall be deemed to be references to the Board. Subject to the terms of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority in its discretion to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to a Participant; (iii) determine the number of Shares to be covered by, or with respect to which payments, rights or other matters are to be calculated in connection with Awards; (iv) determine the timing, terms, and conditions of any Award; (v) accelerate the time at which all or any part of an Award may be settled or exercised; (vi) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vii) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, other property, and other amounts payable with respect to an Award shall be deferred either automatically or at the election of the holder thereof or of the Committee; (viii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (ix) except to the extent prohibited by Section 6.2 , amend or modify the terms of any Award at or after grant; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xi) make all determinations under the Plan concerning any Participant’s Separation from Service with the Company or a Subsidiary or Affiliate; and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan, subject to the exclusive authority of the Board under Section 14 hereunder to amend or terminate the Plan. The exercise of an Option or SAR or the receipt of an Award shall be effective only if an Award Agreement shall have been duly executed and delivered on behalf of the Company following the grant of the Option or other Award.

3.2 *Committee Discretion Binding.* Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all Persons, including the Company, any Subsidiary or Affiliate, any Participant and any holder or beneficiary of any Award. A Participant or other holder of an Award may contest a decision or action by the Committee with respect to such person or Award only on the grounds that such decision or action was arbitrary or capricious or was unlawful, and any review of such decision or action shall be limited to determining whether the Committee's decision or action was arbitrary or capricious or was unlawful.

3.3 *Delegation.* Subject to the terms of the Plan and applicable law, the Committee may delegate to one or more officers or managers of the Company or of any Subsidiary or Affiliate, or to a Committee of such officers or managers, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to or to cancel, modify or waive rights with respect to, or to alter, discontinue, suspend or terminate Awards held by Participants who are not officers or directors of the Company for purposes of Section 16 or who are otherwise not subject to such Section.

3.4 *No Liability* . No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any Award granted hereunder.

Section 4. Shares Available For Awards.

4.1 *Shares Available.* Subject to the provisions of Section 4.2 hereof, the stock to be subject to Awards under the Plan shall be the Shares of the Company and the maximum number of Shares with respect to which new Awards may be granted under the Plan after the Effective Date shall be the sum of (i) 3,250,000 and (ii) the number of Shares available for grant under the Plan as of the end of the day that is the Effective Date of the amendment and restatement of this Plan. The number of Shares with respect to which Incentive Stock Options may be granted after the Effective Date shall be no more than 1,000,000. The number of Shares with respect to which Restricted Shares and Restricted Share Units may be granted after the Effective Date shall be no more than 1,750,000. Notwithstanding the foregoing, if, after the Effective Date, any Shares covered by an Award granted under this Plan, or to which such an Award relates, are forfeited, or if such an Award is settled for cash or otherwise terminates, expires unexercised or is canceled without the delivery of Shares, then the Shares covered by such Award, or to which such Award relates, or the number of Shares otherwise counted against the aggregate number of Shares with respect to which Awards may be granted, to the extent of any such settlement, forfeiture, termination, expiration or cancellation, shall again become Shares with respect to which Awards may be granted. Notwithstanding the foregoing, if an Option or SAR is exercised, in whole or in part, by tender of Shares or if the Company's tax withholding obligation with respect to any Award is satisfied by withholding Shares, the number of Shares deemed to have been issued under the Plan for purposes of the limitations set forth in this Section 4.1 shall be the number of Shares that were subject to the Award, or portion thereof, and not the net number of Shares actually issued; any SARs to be settled in Shares shall be counted in full against the number of Shares available for issuance under the Plan, regardless of the number of Shares actually issued upon the settlement of the SAR. Subject to any adjustment as provided in Section 4.2 hereof, no Participant may receive grants of Options or SARs under the Plan in any calendar year that, taken together, related to more than 625,000 Shares.

4.2 *Adjustments.* Without limiting the discretion of the Committee as provided in Section 13 hereof, in the event that the Committee determines that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property and other than a regular cash dividend), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company, or other similar corporate transaction or event affects the Shares, then the Committee shall in an equitable and proportionate manner (and, as applicable, in such manner as is consistent with Sections 162(m), 422 and 409A of the Code and the regulations thereunder) either: (a) adjust any or all of (1) the aggregate number of Shares or other securities of the Company (or number and kind of other securities or property) with respect to which Awards may be granted under the Plan; (2) the number of Shares or other securities of the Company (or number and kind of other securities or property) subject to outstanding Awards under the Plan, provided that the number of shares subject to any Award shall always be a whole number; (3) the grant or exercise price with respect to any Award under the Plan; and (4) the limits on the number of Shares that may be granted to Participants under the Plan in any calendar year; (b) provide for an equivalent award in respect of securities of the surviving entity of any merger, consolidation or other transaction or event having a similar effect; or (c) make provision for a cash payment to the holder of an outstanding Award. Any such adjustments to outstanding Awards shall be effected in a manner that precludes the material enlargement of rights and benefits under such Awards.

4.3 *Substitute Awards.* Any Shares issued by the Company as Substitute Awards in connection with the assumption or substitution of outstanding grants from any acquired corporation shall not reduce the Shares available for Awards under the Plan.

4.4 *Sources of Shares Deliverable Under Awards.* Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or of issued Shares which have been reacquired by the Company.

Section 5. Eligibility.

Any Employee, Director or Consultant shall be eligible to be designated a Participant; provided, however, that Non-Employee Directors shall only be eligible to receive Awards granted consistent with Section 10 .

Section 6. Stock Options and Stock Appreciation Rights.

6.1 *Grant.* Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Options and SARs shall be granted, the number of Shares subject to each Award, the exercise price and the conditions and limitations applicable to the exercise of each Option and SAR. An Option may be granted with or without a related SAR. An SAR may be granted with or without a related Option. The grant of an Option or SAR shall occur when the Committee by resolution, written consent or other appropriate action determines to grant such Option or SAR for a particular number of Shares to a particular Participant at a particular Option Price or Grant Price, as the case may be, or such later date as the Committee shall specify in such corporate action or an applicable equity award policy. The Committee shall have the authority to grant Incentive Stock Options and to grant Non-Qualified Stock Options. In the case of Incentive Stock Options, the terms and conditions of such grants shall be subject to and comply with such rules as may be prescribed by Section 422 of the Code, as from time to time amended, and any regulations implementing such statute. A person who has been granted an Option or SAR under this Plan may be granted additional Options or SARs under the Plan if the Committee shall so determine; provided, however, that to the extent the aggregate Fair Market Value (determined at the time the Incentive Stock Option is granted) of the Shares with respect to which all Incentive Stock Options are exercisable for the first time by an Employee during any calendar year (under all plans described in Section 422(d) of the Code of the Employee's employer corporation and its parent and Subsidiaries) exceeds $100,000 such Options shall be treated as Non-Qualified Stock Options.

6.2 *Price.* The Committee in its sole discretion shall establish the Option Price at the time each Option is granted and the Grant Price at the time each SAR is granted. Except in the case of Substitute Awards, the Option Price of an Option may not be less than the Fair Market Value of a Share on the date of grant of such Option. Except in the case of Substitute Awards, the Grant Price of an SAR may not be less than the Fair Market Value of a Share on the date of grant of such SAR. In the case of Substitute Awards or Awards granted in connection with an adjustment provided for in Section 4.2 hereof in the form of Options or SARs, such grants shall have an Option Price (or Grant Price) per Share that is intended to maintain the economic value of the Award that was replaced or adjusted as determined by the Committee. Notwithstanding the foregoing and except as required by the provisions of Section 4.2 hereof, the Committee shall not have the power to (i) amend the terms of previously granted Options to reduce the Option Price of such Options, (ii) amend the terms of previously granted SARs to reduce the Grant Price of such SARs, (iii) cancel such Options and grant substitute Options with a lower Option Price than the cancelled Options, or (iv) cancel such SARs and grant substitute SARs with a lower Grant Price than the cancelled SARs, in each case without the approval of the Company's stockholders.

6.3 *Term.* Subject to the Committee's authority under Section 3.1 and the provisions of Section 6.4 , each Option and SAR and all rights and obligations thereunder shall expire on the date determined by the Committee and specified in the Award Agreement. The Committee shall be under no duty to provide terms of like duration for Options or SARs granted under the Plan. Notwithstanding the foregoing, but subject to Section 6.4(a) hereof, no Option or SAR shall be exercisable after the expiration of ten (10) years from the date such Option or SAR was granted.

6.4 *Exercise.*

(a) Each Option and SAR shall be exercisable at such times and subject to such terms and conditions as the Committee may, in its sole discretion, specify in the applicable Award Agreement or thereafter. The Committee shall have full and complete authority to determine whether an Option or SAR will be exercisable in full at any time or from time to time during the term of the Option or SAR, or to provide for the exercise thereof in such installments, upon the occurrence of such events and at such times during the term of the Option or SAR as the Committee may determine. An Award Agreement may provide that the period of time over which an Option, other than an Incentive Stock Option, or SAR may be exercised shall be automatically extended if on the scheduled expiration of such Award, the Participant's exercise of such Award would violate applicable securities law; provided, however, that during the extended exercise period the Option or SAR may only be exercised to the extent such Award was exercisable in accordance with its terms immediately prior to such scheduled expiration date; provided further, however, that such extended exercise period shall end not later than thirty (30) days after the exercise of such Option or SAR first would no longer violate such laws.

(b) The Committee may impose such conditions with respect to the exercise of Options, including without limitation, any relating to the application of federal, state or foreign securities laws or the Code, as it may deem necessary or advisable. The exercise of any Option granted hereunder shall be effective only at such time as the sale of Shares pursuant to such exercise will not violate any state or federal securities or other laws.

(c) An Option or SAR may be exercised in whole or in part at any time, with respect to whole Shares only, within the period permitted thereunder for the exercise thereof, and shall be exercised by written notice of intent to exercise the Option or SAR, delivered to the Company at its principal office, and payment in full to the Company at the direction of the Committee of the amount of the Option Price for the number of Shares with respect to which the Option is then being exercised.

(d) Payment of the Option Price shall be made in (i) cash or cash equivalents, (ii) at the discretion of the Committee, by transfer, either actually or by attestation, to the Company of unencumbered Shares previously acquired by the Participant, valued at the Fair Market Value of such Shares on the date of exercise (or next succeeding trading date, if the date of exercise is not a trading date), together with any applicable withholding taxes, such transfer to be upon such terms and conditions as determined by the Committee, (iii) by a combination of (i) and (ii), or (iv) by any other method approved or accepted by the Committee in its sole discretion, including, if the Committee so determines, (x) a cashless (broker-assisted) exercise that complies with applicable laws or (y) withholding Shares (net-exercise) otherwise deliverable to the Participant pursuant to the Option having an aggregate Fair Market Value at the time of exercise equal to the total Option Price. Until the Participant has been issued the Shares subject to such exercise, he or she shall possess no rights as a stockholder with respect to such Shares. The Company reserves, at any and all times in the Company's sole discretion, the right to establish, decline to approve or terminate any program or procedures for the exercise of Options by shall mean of a method set forth in subsection (iv) above, including with respect to one or more Participants specified by the Company notwithstanding that such program or procedures may be available to other Participants.

(e) At the Committee's discretion, the amount payable as a result of the exercise of an SAR may be settled in cash, Shares or a combination of cash and Shares. A fractional Share shall not be deliverable upon the exercise of a SAR but a cash payment will be made in lieu thereof.

6.5 *Separation from Service.* Except as otherwise provided in the applicable Award Agreement, an Option or SAR may be exercised only to the extent that it is then exercisable, and if at all times during the period beginning with the date of granting such Award and ending on the date of exercise of such Award the Participant is an Employee, Director or Consultant, and shall terminate immediately upon a Separation from Service by the Participant. Except as otherwise provided in the applicable Award Agreement, an Option or SAR shall cease to be exercisable upon a Separation from Service of the Participant. Notwithstanding the foregoing provisions of this Section 6.5 to the contrary, the Committee may determine in its discretion that an Option or SAR may be exercised following any such Separation from Service, whether or not exercisable at the time of such separation; provided, however, that in no event may an Option or SAR be exercised after the expiration date of such Award specified in the applicable Award Agreement, except as provided in Section 6.4(a) .

6.6 *Ten Percent Stock Rule.* Notwithstanding any other provisions in the Plan, if at the time an Option is otherwise to be granted pursuant to the Plan, the optionee or rights holder owns directly or indirectly (within the meaning of Section 424(d) of the Code) Shares of the Company possessing more than ten percent (10%) of the total combined voting power of all classes of Stock of the Company or its parent or Subsidiary or Affiliate corporations (within the meaning of Section 422(b)(6) of the Code), then any Incentive Stock Option to be granted to such optionee or rights holder pursuant to the Plan shall satisfy the requirement of Section 422(c)(5) of the Code, and the Option Price shall be not less than one hundred ten percent (110%) of the Fair Market Value of the Shares of the Company, and such Option by its terms shall not be exercisable after the expiration of five (5) years from the date such Option is granted.

Section 7. Restricted Shares And Restricted Share Units.

7.1 *Grant.*

(a) Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom Restricted Shares and Restricted Share Units shall be granted, the number of Restricted Shares and/or the number of Restricted Share Units to be granted to each Participant, the duration of the period during which, and the conditions under which, the Restricted Shares and Restricted Share Units may be forfeited to the Company, and the other terms and conditions of such Awards. The Restricted Share and Restricted Share Unit Awards shall be evidenced by Award Agreements in such form as the Committee shall from time to time approve, which agreements shall comply with and be subject to the terms and conditions provided hereunder and any additional terms and conditions established by the Committee that are consistent with the terms of the Plan.

(b) Each Restricted Share and Restricted Share Unit Award made under the Plan shall be for such number of Shares as shall be determined by the Committee and set forth in the Award Agreement containing the terms of such Restricted Share or Restricted Share Unit Award. Such agreement shall set forth a period of time during which the grantee must remain in the continuous employment (or other service-providing capacity) of the Company in order for the forfeiture and transfer restrictions to lapse. If the Committee so determines, the restrictions may lapse during such restricted period in installments with respect to specified portions of the Shares covered by the Restricted Share or Restricted Share Unit Award. The Award Agreement may also, in the discretion of the Committee, set forth performance or other conditions that will subject the Shares to forfeiture and transfer restrictions. The Committee may, at its discretion, waive all or any part of the restrictions applicable to any or all outstanding Restricted Share and Restricted Share Unit Awards.

7.2 *Delivery of Shares and Transfer Restrictions.*

(a) At the time of a Restricted Share Award, a certificate representing the number of Shares awarded thereunder may, in the Company's discretion, be registered in the name of or otherwise on behalf of the grantee. Such certificate, if any, shall be held by the Company or any custodian appointed by the Company for the account of the grantee subject to the terms and conditions of the Plan, and shall bear such a legend setting forth the restrictions imposed thereon as the Committee, in its discretion, may determine. The foregoing to the contrary notwithstanding, the Company may, in its discretion, provide that a Participant's ownership of Restricted Shares prior to the lapse of any transfer restrictions or any other applicable restrictions shall, in lieu of such certificates, be evidenced by a "book entry" (*i.e* ., a computerized or manual entry) in the records of the Company or its designated agent, and any confirmation and account statements sent to the Participant with respect to such book-entry Shares may bear the restrictive legend referenced in the preceding sentence. Such records of the Company or such agent shall, absent manifest error, be binding on all Participants who receive Restricted Share Awards evidenced in such manner. The holding of Restricted Shares by the Company or such an escrow holder, or the use of book entries to evidence the ownership of Restricted Shares, in accordance with this Section 7.2(a) , shall not affect the rights of Participants as owners of the Restricted Shares awarded to them, nor affect the restrictions applicable to such shares under the Award Agreement or the Plan, including the transfer restrictions.

(b) Unless otherwise provided in the applicable Award Agreement, the grantee shall have all rights of a stockholder with respect to the Restricted Shares, including the right to receive dividends and the right to vote such Shares, subject to the following restrictions: (i) unless otherwise determined by the Board or Committee, cash and Share dividends shall be automatically reinvested in additional Shares which shall be treated as Restricted Shares under this Section 7 ; (ii) the grantee shall not be entitled to delivery of the stock certificate until the expiration of the restricted period and the fulfillment of any other restrictive conditions set forth in the Award Agreement with respect to such Shares; (iii) none of the Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of during such restricted period or until after the fulfillment of any such other restrictive conditions; and (iv) except as otherwise determined by the Committee at or after grant, all of the Shares shall be forfeited and all rights of the grantee to such Shares shall terminate, without further obligation on the part of the Company, unless the grantee remains in the continuous employment of the Company for the entire restricted period in relation to which such Shares were granted and unless any other restrictive conditions relating to the Restricted Share

Award are met. Restricted Share Units shall be subject to similar transfer restrictions as Restricted Share Awards, except that no Shares are actually awarded to a Participant who is granted Restricted Share Units on the date of grant, and, except as provided in Section 15.2 below, such Participant shall have no rights of a stockholder with respect to such Restricted Share Units until the restrictions set forth in the applicable Award Agreement have lapsed.

7.3 *Termination of Restrictions.* At the end of the restricted period and provided that any other restrictive conditions of the Restricted Share Award are met, or at such earlier time as otherwise determined by the Committee, all restrictions set forth in the Award Agreement relating to the Restricted Share Award or in the Plan shall lapse as to the restricted Shares subject thereto, and a stock certificate for the appropriate number of Shares, free of the restrictions and restricted stock legend, shall be delivered to the Participant or the Participant's beneficiary or estate, as the case may be (or, in the case of book-entry Shares, such restrictions and restricted stock legend shall be removed from the confirmation and account statements delivered to the Participant or the Participant's beneficiary or estate, as the case may be).

7.4 *Payment of Restricted Share Units.* Each Restricted Share Unit shall have a value equal to the Fair Market Value of a Share. Restricted Share Units shall be paid in cash, Shares, other securities or other property, as determined in the sole discretion of the Committee, upon the lapse of the restrictions applicable thereto, or otherwise in accordance with the applicable Award Agreement. Unless otherwise provided in the applicable Award Agreement, a Participant shall receive dividend rights in respect of any vested Restricted Stock Units at the time of any payment of dividends to stockholders on Shares payable as provided in Section 15.2 . Unless otherwise provided in the applicable Award Agreement, dividend equivalents shall not be paid in respect of Restricted Share Units that are not yet vested. Except as otherwise determined by the Committee at or after grant, Restricted Share Units may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of, and all Restricted Share Units and all rights of the grantee to such Restricted Share Units shall terminate, without further obligation on the part of the Company, unless the grantee remains in continuous employment of the Company for the entire restricted period in relation to which such Restricted Share Units were granted and unless any other restrictive conditions relating to the Restricted Share Unit Award are met.

Section 8. Performance Awards.

8.1 *Grant.* The Committee shall have sole and complete authority to determine the Participants who shall receive a Performance Award, which shall consist of a right that is (i) denominated in cash or Shares (including but not limited to Restricted Shares and Restricted Share Units), (ii) valued, as determined by the Committee, in accordance with the achievement of such performance goals during such performance periods as the Committee shall establish, and (iii) payable at such time and in such form as the Committee shall determine.

8.2 *Terms and Conditions.* Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award and the amount and kind of any payment or transfer to be made pursuant to any Performance Award, and may amend specific provisions of the Performance Award; provided, however, that such amendment may not adversely affect existing Performance Awards made within a performance period commencing prior to implementation of the amendment.

8.3 *Payment of Performance Awards.* Performance Awards may be paid in a lump sum or in installments following the close of the performance period or, in accordance with the procedures established by the Committee, on a deferred basis. Except as otherwise provided in an Award Agreement or by Section 13 hereof, Separation from Service prior to the end of any performance period, other than for reasons of death or Disability, will result in the forfeiture of the Performance Award, and no payments will be made.

Notwithstanding the foregoing, the Committee may in its discretion, waive any performance goals and/or other terms and conditions relating to a Performance Award. A Participant's rights to any Performance Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of in any manner, except by will or the laws of descent and distribution, and/or except as the Committee may determine at or after grant.

Section 9. Other Stock-Based Awards.

The Committee shall have the authority to determine the Participants who shall receive an Other Stock-Based Award, which shall consist of any right that is (i) not an Award described in Sections 6 or 7 above and (ii) an Award of Shares or an Award denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as deemed by the Committee to be consistent with the purposes of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of any such Other Stock-Based Award.

Section 10. Non-Employee Director Awards.

10.1 *Annual Compensation.* The Board may provide that all or a portion of a Non-Employee Director's annual retainer, meeting fees and/or other awards or compensation as determined by the Board, be payable (either automatically or at the election of a Non-Employee Director) in the form of Non-Qualified Stock Options, Restricted Shares, Restricted Share Units and/or Other Stock-Based Awards, including unrestricted Shares. The Board shall determine the terms and conditions of any such Awards, including the terms and conditions which shall apply upon a termination of the Non-Employee Director's service as a member of the Board, and shall have full power and authority in its discretion to administer such Awards, subject to the terms of the Plan and applicable law.

10.2 *Other Awards.* The Board may also grant Awards to Non-Employee Directors pursuant to the terms of the Plan, including any Award described in Sections 6 , 7 or 9 above.

Section 11. Provisions Applicable To Covered Officers And Performance Awards.

11.1 *Scope.* Notwithstanding anything in the Plan to the contrary, unless the Committee determines that a Performance Award to be granted to a Covered Officer should not qualify as "performance-based compensation" for purposes of Section 162 (m), Performance Awards granted to Covered Officers shall be subject to the terms and provisions of this Section 11 .

11.2 *Performance Goals.* The Committee may grant Performance Awards to Covered Officers based solely upon the attainment of performance targets related to one or more performance goals selected by the Committee from among the goals specified below. For the purposes of this Section 11 , performance goals shall be limited to one or more of the following Company, Subsidiary, operating unit, business segment or division financial performance measures:

(a) earnings before any one or more of the following: interest, taxes, depreciation, amortization and stock compensation expense;

(b) operating income or profit;

(c) operating efficiencies and selling, general and administrative expense;

(d) return on equity, assets, capital, capital employed or investment;

(e) net income;

(f) earnings per Share;

(g) financial ratios;

(h) utilization management;

(i) membership or membership months;

(j) gross profit;

(k) medical loss ratios;

(l) stock price or total stockholder return;

(m) provider network growth;

(n) debt reduction;

(o) strategic business objectives, consisting of one or more objectives based on meeting specified enrollment targets, member-based goals or initiatives (including member satisfaction goals), expense targets or measures, employee headcount targets, business expansion goals (including project management and implementation goals), and goals relating to acquisitions or divestitures; or

(p) any combination thereof.

Each goal may be expressed on an absolute and/or relative basis, may be based on or otherwise employ comparisons based on internal targets, the past performance of the Company or any Subsidiary, operating unit, business segment or division of the Company and/or the past or current performance of other companies, and in the case of earnings-based measures, may use or employ comparisons relating to capital, stockholders' equity and/or Shares outstanding, or to assets or net assets. The Committee may appropriately adjust any evaluation of performance under criteria set forth in this Section 11.2 to exclude any of the following events that occurs during a performance period: (i) asset impairments or write-downs, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs, (v) any extraordinary non-recurring items as described in Accounting Principles Board Opinion No. 30 and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable year, and (vi) the effect of adverse or delayed federal, state or local governmental or regulatory action; provided that the Committee commits to make any such adjustments within the 90 day period set forth in Section 11.4 below.

11.3 *Annual Limits.* With respect to any Covered Officer, the maximum number of Shares in respect of which all Performance Awards may be granted under Section 8 of the Plan in any year is 350,000 and the maximum amount of all Performance Awards that are settled in cash and that may be granted under Section 8 of the Plan in any year is $5,000,000.00.

11.4 *Other Provisions.* To the extent necessary to comply with Section 162(m), with respect to grants of Performance Awards, no later than 90 days following the commencement of each performance period (or such other time as may be required or permitted by Section 162(m) of the Code), the Committee shall, in writing, (1) select the performance goal or goals applicable to the performance period, (2) establish the various targets and bonus amounts which may be earned for such performance period, and (3) specify the relationship between performance goals and targets and the amounts to be earned by each Covered Officer for such performance period. Following the completion of each performance period, the Committee shall certify in writing whether the applicable performance targets have been achieved and the amounts, if any, payable to Covered Officers for such performance period. In determining the amount earned by a Covered Officer for a given performance period, subject to any applicable Award Agreement, the Committee shall have the right to reduce (but not increase) the amount payable at a given level of performance to take into account additional factors that the Committee may deem relevant in its sole discretion to the assessment of individual or corporate performance for the performance period.

11.5 *Intent.* Unless otherwise expressly stated in the relevant Award Agreement, each Award granted to a Covered Officer under the Plan is intended to be performance-based compensation within the meaning of Section 162(m). Accordingly, unless otherwise determined by the Committee, if any provision of the Plan or any Award Agreement relating to such an Award does not comply or is inconsistent with Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to such requirements, and no provision shall be deemed to confer upon the Committee discretion to increase the amount of compensation otherwise payable to a Covered Officer in connection with any such Award upon the attainment of the performance criteria established by the Committee.

Section 12. Separation from Service.

The Committee shall have the full power and authority to determine the terms and conditions that shall apply to any Award upon a Participant's Separation from Service with the Company, its Subsidiaries and Affiliates, including a Separation from Service by the Company with or without Cause, by a Participant voluntarily, or by reason of death, Disability or Retirement, and may provide such terms and conditions in the Award Agreement or in such rules and regulations as it may prescribe.

Section 13. Change In Control.

Unless otherwise provided by the Committee at or after grant, in an Award Agreement, by resolution or by a contractual agreement between the Company and a Participant, the following shall apply in the event of a Change in Control:

(a) *Assumption, Continuation or Substitution.* In the event of a Change in Control, the Company, the surviving, continuing, successor, or purchasing corporation or other business entity or parent thereof, as the case may be (the " Acquiror"), may, without the consent of any Participant, either assume or continue the Company's rights and obligations under each or any Award or portion thereof outstanding immediately prior to the Change in Control or substitute for each or any such outstanding Award or portion thereof a substantially equivalent award with respect to the Acquiror's stock, as applicable (an " Assumed Award "). For purposes of this paragraph, an Award denominated in Shares shall be considered assumed only if, following the Change in Control, (i) the Assumed Award (as adjusted, if applicable, pursuant to Section 4.2 hereof) confers the right to receive, subject to the terms and conditions of the Plan and the applicable Award Agreement, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether stock, cash, other securities or property or a combination thereof) to which a holder of a share of stock on the effective date of the Change in Control was entitled; provided, however, that if such consideration is not solely common stock of the Acquiror, the Committee may, with the consent of the Acquiror, provide for the consideration to be received upon the exercise or settlement of the Award, for each Share subject to the Award, to consist solely of common stock of the Acquiror equal in Fair Market Value to the per share consideration received by holders of Shares pursuant to the Change in Control, and (ii) the Assumed Award provides that if, within one year following a Change in Control, a Participant Separates from Service with the Acquiror by reason of (A) death; (B) Disability; (C) Retirement; (D) for Good Reason by the Participant; or (E) involuntary termination by the Acquiror for any reason other than for Cause, all outstanding Awards of such Participant shall vest, become immediately exercisable and payable (and remain so for such period as to give the Participant a reasonable opportunity to exercise such Award in connection with and following his Separation from Service) and have all restrictions lifted.

(b) *Other Accelerated Vesting* . The Committee may provide in any Award Agreement, or, in the event of a Change in Control, may take such actions as it deems appropriate to provide, for the acceleration of the exercisability, vesting and/or settlement in connection with such Change in Control of each or any outstanding Award or portion thereof upon such conditions as the Committee shall determine. In the event of a Change in Control, and without the consent of any Participant, the Committee may, in its discretion, provide that for a period of at least fifteen (15) days prior to the Change in Control, any Options or Stock Appreciation Rights shall be exercisable as to all Shares subject thereto and that upon the occurrence of the Change in Control, such Stock Options or Stock Appreciation Rights shall terminate and be of no further force and effect.

(c) *Cash-Out of Awards* . The Committee may, in its discretion and without the consent of any Participant, determine that, upon the occurrence of a Change in Control, each or any Award or a portion thereof outstanding immediately prior to the Change in Control and not previously exercised or settled shall be canceled in exchange for a payment with respect to each vested Share (and each unvested Share, if so determined by the Committee) subject to such canceled Award in (i) cash, (ii) stock of the Company or of a corporation or other business entity a party to the Change in Control, or (iii) other property which, in any such case, shall be in an amount having a value equal to the consideration to be paid per Share in the Change in Control, reduced by the exercise or purchase price per share, if any, under such Award (which payment may, for the avoidance of doubt, be $0, in the event the per share exercise or purchase price of an Award is greater than the per share consideration in connection with the Change in Control).

(d) *Performance Awards.* The Committee may, in its discretion, provide that in the event of a Change in Control, (i) any outstanding Performance Awards relating to performance periods ending prior to the Change in Control which have been earned but not paid shall become immediately payable, (ii) all then-in-progress performance periods for Performance Awards that are outstanding shall end, and either (A) any or all Participants shall be deemed to have earned an award equal to the relevant target award opportunity for the performance period in question, or (B) at the Committee's discretion, the Committee shall determine the extent to which performance criteria have been met with respect to each such Performance Award, and (iii) the Company shall cause to be paid to each Participant such partial or full Performance Awards, in cash, Shares or other property as determined by the Committee, within thirty (30) days of such Change in Control, based on the Change in Control consideration, which amount may be zero if applicable.

(e) *Other Awards.* Any Award or portion thereof which is neither assumed or continued by the Acquiror in connection with the Change in Control, nor exercised or settled as of the time of consummation of the Change in Control shall terminate and cease to be outstanding effective as of the time of consummation of the Change in Control.

Section 14. Amendment And Termination.

14.1 *Amendments to the Plan.* The Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without stockholder approval if such approval is necessary to comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to comply.

14.2 *Amendments to Awards.* Subject to the restrictions of Section 6.2 , the Committee may waive any conditions or rights under, amend any terms of or alter, suspend, discontinue, cancel or terminate, any Award theretofore granted, prospectively or retroactively; provided that, except as otherwise provided in the Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any Participant or any holder or beneficiary of any Award theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

14.3 *Adjustments of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events.* The Committee is hereby authorized to make equitable and proportionate adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (and shall make such adjustments for the events described in Section 4.2 hereof) affecting the Company, any Subsidiary or Affiliate, or the financial statements of the Company or any Subsidiary or Affiliate, or of changes in applicable laws, regulations or accounting principles in accordance with the Plan; provided that any such adjustments that affect Awards subject to Sections 162(m), 423 or 409A of the Code shall only be made as permitted thereby (except as otherwise determined by the Committee).

Section 15. General Provisions.

15.1 *Limited Transferability of Awards.* Except as otherwise provided in the Plan, an Award Agreement or by the Committee at or after grant, no Award shall be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by a Participant, except by will or the laws of descent and distribution. No transfer of an Award by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Committee may deem necessary or appropriate to establish the validity of the transfer. No transfer of an Award for value shall be permitted under the Plan.

15.2 *Dividend Equivalents.* In the sole and complete discretion of the Committee, an Award may provide the Participant with dividends or dividend equivalents, payable in cash, Shares, other securities or other property on a current or deferred basis. All dividend or dividend equivalents which are not paid currently may, at the Committee's discretion, accrue interest, be reinvested into additional Shares, or, in the case of dividends or dividend equivalents credited in connection with Performance Awards, be credited as additional Performance Awards and paid to the Participant if and when, and to the extent that, payment is made pursuant to such Award. The total number of Shares available for grant under Section 4 shall not be reduced to reflect any dividends or dividend equivalents that are reinvested into additional Shares or credited as Performance Awards.

15.3 *Compliance with Section 409A of the Code.* No Award (or modification thereof) shall provide for deferral of compensation that does not comply with Section 409A of the Code unless the Committee, at the time of grant, specifically provides that the Award is not intended to comply with Section 409A of the Code. Notwithstanding any provision of this Plan to the contrary, if one or more of the payments or benefits received or to be received by a Participant pursuant to an Award would cause the Participant to incur any additional tax or interest under Section 409A of the Code, the Committee may reform such provision without the consent of the Participant to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Section 409A of the Code. Although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local or foreign law. The Company shall not be liable to any Participant for any tax, interest, or penalties that Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

15.4 *No Rights to Awards.* No Person shall have any claim to be granted any Award, and there is no obligation for uniformity of treatment of Participants or holders or beneficiaries of Awards. The terms and conditions of Awards need not be the same with respect to each Participant.

15.5 *Share Certificates.* All certificates for Shares or other securities of the Company or any Subsidiary or Affiliate delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the SEC or any state securities commission or regulatory authority, any stock exchange or other market upon which such Shares or other securities are then listed, and any applicable Federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

15.6 *Withholding.* A Participant may be required to pay to the Company or any Subsidiary or Affiliate and the Company or any Subsidiary or Affiliate shall have the right and is hereby authorized to withhold from any Award, from any payment due or transfer made under any Award or under the Plan, or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other securities, other Awards or other property) of any applicable withholding or other tax-related obligations in respect of an Award, its exercise or any other transaction involving an Award, or any payment or transfer under an Award or under the Plan and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. Without limiting the generality of the foregoing, the Committee may in its discretion permit a Participant to satisfy or arrange to satisfy, in whole or in part, the tax obligations incident to an Award by: (a) electing to have the Company withhold Shares or other property otherwise deliverable to such Participant pursuant to the Award (provided, however, that the amount of any Shares so withheld shall not exceed the amount necessary to satisfy required federal, state local and foreign withholding obligations using the minimum statutory withholding rates for federal, state, local and/or foreign tax purposes, including payroll taxes, that are applicable to supplemental taxable income) and/or (b) tendering to the Company Shares owned by such Participant (or by such Participant and his or her spouse jointly) and purchased or held for the requisite period of time as may be required to avoid the Company's or the Affiliates' or Subsidiaries' incurring an adverse accounting charge, based, in each case, on the Fair Market Value of the Shares on the payment date as determined by the Committee. All such elections shall be irrevocable, made in writing, signed by the Participant, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

15.7 *Award Agreements.* Each Award hereunder shall be evidenced by an Award Agreement that shall be delivered to the Participant and may specify the terms and conditions of the Award and any rules applicable thereto. In the event of a conflict between the terms of the Plan and any Award Agreement, the terms of the Plan shall prevail. The Committee shall, subject to applicable law, determine the date an Award is deemed to be granted. The Committee or, except to the extent prohibited under applicable law, its delegate(s) may establish the terms of agreements or other documents evidencing Awards under this Plan and may, but need not, require as a condition to any such agreement's or document's effectiveness that such agreement or document be executed by the Participant, including by electronic signature or other electronic indication of acceptance, and that such Participant agree to such further terms and conditions as specified in such agreement or document. The grant of an Award under this Plan shall not confer any rights upon the Participant holding such Award other than such terms, and subject to such conditions, as are specified in this Plan as being applicable to such type of Award (or to all Awards) or as are expressly set forth in the agreement or other document evidencing such Award.

15.8 *No Limit on Other Compensation Arrangements.* Nothing contained in the Plan shall prevent the Company or any Subsidiary or Affiliate from adopting or continuing in effect other compensation arrangements, which may, but need not, provide for the grant of Options, Restricted Shares, Restricted Share Units, Other Stock-Based Awards or other types of Awards provided for hereunder.

15.9 *No Right to Employment.* The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Subsidiary or Affiliate. Further, the Company or a Subsidiary or Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in an Award Agreement.

15.10 *No Rights as Stockholder.* Subject to the provisions of the Plan and the applicable Award Agreement, no Participant or holder or beneficiary of any Award shall have any rights as a stockholder with respect to any Shares to be distributed under the Plan until such person has become a holder of such Shares. Notwithstanding the foregoing, in connection with each grant of Restricted Shares hereunder, the applicable Award Agreement shall specify if and to what extent the Participant shall not be entitled to the rights of a stockholder in respect of such Restricted Shares.

15.11 *Governing Law.* The validity, construction and effect of the Plan and any rules and regulations relating to the Plan and any Award Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to conflicts of laws principles.

15.12 *Severability.* If any provision of the Plan or any Award is, or becomes, or is deemed to be invalid, illegal or unenforceable in any jurisdiction or as to any Person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award and the remainder of the Plan and any such Award shall remain in full force and effect.

15.13 *Other Laws.* The Committee may refuse to issue or transfer any Shares or other consideration under an Award if, acting in its sole discretion, it determines that the issuance or transfer of such Shares or such other consideration might violate any applicable law or regulation (including applicable non-U.S. laws or regulations) or entitle the Company to recover the same under Exchange Act Section 16(b), and any payment tendered to the Company by a Participant, other holder or beneficiary in connection with the exercise of such Award shall be promptly refunded to the relevant Participant, holder or beneficiary.

15.14 *No Trust or Fund Created.* Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary or Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Subsidiary or Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Subsidiary or Affiliate.

15.15 *No Fractional Shares.* No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash, other securities or other property shall be paid or transferred in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

15.16 *Headings.* Headings are given to the sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 16. Term Of The Plan.

16.1 *Effective Date.* The Plan shall be effective, and will amend and restate the previous plan in its entirety as set forth herein, effective as of May 27, 2010 (the “Effective Date”), provided it has been approved by the Board and by the Company’s stockholders.

16.2 *Expiration Date.* No new Awards shall be granted under the Plan after the tenth anniversary of the Effective Date. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award granted hereunder may, and the authority of the Board or the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award or to waive any conditions or rights under any such Award shall, continue after the tenth anniversary of the Effective Date.

Exhibit 10.4

HEALTHSPRING, INC.
RESTRICTED SHARE AWARD AGREEMENT
(Officers and Employees)

THIS RESTRICTED SHARE AWARD AGREEMENT (this "Agreement") is made and entered into as of the ____ day of __________, 20__ (the "Grant Date"), between HealthSpring, Inc., a Delaware corporation (together with its Subsidiaries, the "Company"), and _____________, (the "Grantee"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan (the "Plan").

WHEREAS, the Company has adopted the Plan, which permits the issuance of restricted shares of the Company's common stock, par value $0.01 per share (the "Common Stock"); and

WHEREAS , pursuant to the Plan, the Committee responsible for administering the Plan has granted an award of restricted shares to the Grantee as provided herein.

NOW, THEREFORE , in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Grant of Restricted Shares .

(a) The Company hereby grants to the Grantee an award (the "Award") of ________________ shares of Common Stock of the Company (the "Shares" or the "Restricted Shares") on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan.

(b) The Grantee's rights with respect to the Award shall remain forfeitable at all times prior to the dates on which the restrictions shall lapse in accordance with Sections 2 and 3 hereof.

2. Terms and Rights as a Stockholder .

(a) Except as provided herein and subject to such other exceptions as may be determined by the Committee in its discretion, the "Restricted Period" shall expire (i) with respect to fifty-percent (50%) of the Restricted Shares granted herein on the second anniversary of the Grant Date, and (ii) with respect to an additional twenty-five percent (25%) of the Restricted Shares granted herein on each of the third and fourth anniversaries of the Grant Date.

(b) The Grantee shall have all rights of a stockholder with respect to the Restricted Shares, including the right to receive dividends and the right to vote such Shares, subject to the following restrictions:

(i) the Grantee shall not be entitled to the removal of the restricted legends or restricted account notices or to delivery of the stock certificate (if any) for any Shares until the expiration of the Restricted Period as to such Shares and the fulfillment of any other restrictive conditions set forth herein;

(ii) none of the Restricted Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of during the Restricted Period as to such Shares and until the fulfillment of any other restrictive conditions set forth herein; and

(iii) except as otherwise determined by the Committee at or after the grant of the Award hereunder, any Restricted Shares as to which the applicable "Restricted Period" has not expired (or other restrictive conditions have not been met) shall be forfeited, and all rights of the Grantee to such Shares shall terminate, without further obligation on the part of the Company, unless the Grantee remains in the continuous employment (or other service-providing capacity) of the Company for the entire Restricted Period applicable to such Shares.

(c) Notwithstanding the foregoing, the Restricted Period shall automatically terminate as to all Restricted Shares awarded hereunder (as to which such Restricted Period has not previously terminated) in the following circumstances:

(i) upon the termination of the Grantee's employment from the Company which results from the Grantee's death or Disability;

(ii) upon the termination of the Grantee's employment within one year following a Change in Control, if the Grantee's employment with the Company (or its successor) is terminated by (A) the Grantee for Good Reason, or (B) the Company for any reason other than for Cause; provided that in the event this Award is not assumed by the Acquiror under the terms set forth in Section 13(a) of the Plan, the Restricted Period shall automatically terminate as to all Restricted Shares awarded hereunder (to the extent not previously terminated or forfeited).

Any Shares, any other securities of the Company and any other property (except for cash dividends) distributed with respect to the Restricted Shares shall be subject to the same restrictions, terms and conditions as such Restricted Shares.

3. Termination of Restrictions. Following the termination of the Restricted Period, and provided that all other restrictive conditions set forth herein have been met, all restrictions set forth in this Agreement or in the Plan relating to such portion or all, as applicable, of the Restricted Shares shall lapse as to such portion or all, as applicable, of the Restricted Shares, and a stock certificate for the appropriate number of Shares, free of the restrictions and restrictive stock legend, shall, upon request, be delivered to the Grantee or Grantee's beneficiary or estate, as the case may be, pursuant to the terms of this Agreement (or, in the case of book-entry Shares, such restrictions and restricted stock legend shall be removed from the confirmation and account statements delivered to the Grantee in book-entry form).

4. Delivery of Shares.

(a) As of the date hereof, certificates representing the Restricted Shares may be registered in the name of the Grantee and held by the Company or transferred to a custodian appointed by the Company for the account of the Grantee subject to the terms and conditions of the Plan and shall remain in the custody of the Company or such custodian until their delivery to the Grantee or Grantee's beneficiary or estate as set forth in Sections 4(b) and (c) hereof or their forfeiture or reversion to the Company as set forth in Section 2(b) hereof. The Committee may, in its discretion, provide that the Grantee's ownership of Restricted Shares prior to the lapse of any transfer restrictions or any other applicable restrictions shall, in lieu of such certificates, be evidenced by a "book entry" (i.e. a computerized or manual entry) in the records of the Company or its designated agent in accordance with and subject to the applicable provisions of the Plan.

(b) If certificates shall have been issued as permitted in Section 4(a) above, certificates representing Restricted Shares in respect of which the Restricted Period has lapsed pursuant to this Agreement shall be delivered to the Grantee upon request following the date on which the restrictions on such Restricted Shares lapse.

(c) If certificates shall have been issued as permitted in Section 4(a) above, certificates representing Restricted Shares in respect of which the Restricted Period lapsed upon the Grantee's death shall be delivered to the executors or administrators of the Grantee's estate as soon as practicable following the receipt of proof of the Grantee's death satisfactory to the Company.

(d) Any certificate representing Restricted Shares shall bear (and confirmation and account statements sent to the Grantee with respect to book-entry Shares may bear) a legend in substantially the following form or substance:

> THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF WITHOUT REGISTRATION UNDER THE SECURITES ACT OF 1933 AND UNDER APPLICABLE BLUE SKY LAW OR UNLESS SUCH SALE, TRANSFER, PLEDGE OR OTHER DISPOSITION IS EXEMPT FROM REGISTRATION THEREUNDER.
>
> THIS CERTIFICATE AND THE SHARES OF STOCK REPRESENTED HEREBY ARE SUBJECT TO THE TERMS AND CONDITIONS (INCLUDING FORFEITURE AND RESTRICTIONS AGAINST TRANSFER) CONTAINED IN THE HEALTHSPRING, INC. AMENDED AND RESTATED 2006 EQUITY INCENTIVE PLAN (THE "PLAN") AND THE RESTRICTED SHARE AWARD AGREEMENT (THE "AGREEMENT") BETWEEN THE OWNER OF THE RESTRICTED SHARES REPRESENTED HEREBY AND HEALTHSPRING, INC. (THE "COMPANY"). THE RELEASE OF SUCH SHARES FROM SUCH TERMS AND CONDITIONS SHALL BE MADE ONLY IN ACCORDANCE WITH THE PROVISIONS OF THE PLAN AND THE AGREEMENT AND ALL OTHER APPLICABLE POLICIES AND PROCEDURES OF THE COMPANY, COPIES OF WHICH ARE ON FILE AT THE COMPANY.

5. Effect of Lapse of Restrictions. To the extent that the Restricted Period applicable to any Restricted Shares shall have lapsed, the Grantee may receive, hold, sell or otherwise dispose of such Shares free and clear of the restrictions imposed under the Plan and this Agreement upon compliance with applicable legal requirements.

6. No Right to Continued Employment. This Agreement shall not be construed as giving the Grantee the right to be retained in the employ of the Company, and subject to any other written contractual arrangement between the Company and the Grantee, the Company may at any time dismiss the Grantee from employment, free from any liability or any claim under the Plan **.**

7. Adjustments. The Committee may make equitable and proportionate adjustments in the terms and conditions of, and the criteria included in, this Award in recognition of unusual or nonrecurring events (and shall make adjustments for the events described in Section 4.2 of the Plan) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles in accordance with the Plan whenever the Committee determines that such events affect the Shares. Any such adjustments shall be effected in a manner that precludes the material enlargement of rights and benefits under this Award.

8. Amendment to Award. Subject to the restrictions contained in the Plan, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate the Award, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of the Grantee or any holder or beneficiary of the Award shall not to that extent be effective without the consent of the Grantee, holder or beneficiary affected.

9. Withholding of Taxes. If the Grantee makes an election under Section 83(b) of the Code with respect to the Award, the Award made pursuant to this Agreement shall be conditioned upon the prompt payment to the Company of any applicable withholding obligations or withholding taxes by the Grantee ("Withholding Taxes"). Failure by the Grantee to pay such Withholding Taxes will render this Agreement and the Award granted hereunder null and void *ab initio* and the Restricted Shares granted hereunder will be immediately cancelled. If the Grantee does not make an election under Section 83(b) of the Code with respect to the Award, upon the lapse of the Restricted Period with respect to any portion of Restricted Shares (or property distributed with respect thereto), the Company may satisfy the required Withholding Taxes as set forth by Internal Revenue Service guidelines for the employer's minimum statutory withholding with respect to the Grantee and issue vested shares to the Grantee without restriction. The Company may satisfy the required Withholding Taxes by withholding from the Shares included in the Award that number of whole shares necessary to satisfy such taxes as of the date the restrictions lapse with respect to such Shares based on the Fair Market Value of the Shares, or by requiring the Grantee to remit to the Company the proper Withholding Taxes in cash.

10. Plan Governs. The Grantee hereby acknowledges receipt of a copy of (or electronic link to) the Plan and agrees to be bound by all the terms and provisions thereof. The terms of this Agreement are governed by the terms of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

11. Severability. If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

12. Notices. All notices required to be given under this Award shall be deemed to be received if delivered or mailed as provided for herein, to the parties at the following addresses, or to such other address as either party may provide in writing from time to time.

To the Company: HealthSpring, Inc.
9009 Carothers Parkway
Suite 501
Franklin, Tennessee 37067
Attn: Corporate Secretary

To the Grantee: The address then maintained with respect to the Grantee in the Company's records.

13. Governing Law. The validity, construction and effect of this Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to conflicts of laws principles.

14. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Grantee's legal representatives. All obligations imposed upon the Grantee and all rights granted to the Company under this Agreement shall be binding upon the Grantee's heirs, executors, administrators and successors.

15. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Grantee and the Company for all purposes.

(remainder of page left blank intentionally)

IN WITNESS WHEREOF, the parties have caused this Restricted Share Award Agreement to be duly executed effective as of the day and year first above written.

HEALTHSPRING, INC.

By: ______________________________

GRANTEE:

____

Exhibit 10.5

HEALTHSPRING, INC.
NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (this “Agreement”) is made and entered into as of this ___ day of _____, 20__ (the “Grant Date”), by and between HealthSpring, Inc., a Delaware corporation (together with its Subsidiaries and Affiliates, the “Company”), and __________________ (the “Optionee”). Capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the HealthSpring, Inc. Amended and Restated 2006 Equity Incentive Plan (the “Plan”).

WHEREAS , the Company has adopted the Plan, which permits the issuance of stock options for the purchase of shares of the common stock, par value $0.01 per share, of the Company (the “Shares”); and

WHEREAS , the Company desires to afford the Optionee an opportunity to purchase Shares as hereinafter provided in accordance with the provisions of the Plan.

NOW, THEREFORE , in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

1. <u>Grant of Option</u> .

(a) The Company grants as of the date of this Agreement the right and option (the “Option”) to purchase ___ Shares, in whole or in part (the “Option Stock”), at an exercise price of ______ per Share, on the terms and conditions set forth in this Agreement and subject to all provisions of the Plan. The Optionee, holder or beneficiary of the Option shall not have any of the rights of a stockholder with respect to the Option Stock until such person has become a holder of such Shares by the due exercise of the Option and payment of the Option Payment (as defined in <u>Section 3</u> below) in accordance with this Agreement.

(b) The Option shall be a non-qualified stock option. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option, and in order to comply with all applicable federal or state tax laws or regulations, the Company may take such action as it deems appropriate to ensure that, if necessary, all applicable federal, state or other taxes are withheld or collected from the Optionee.

2. <u>Exercise of Option</u> .

(a) Except as otherwise provided herein, this Option shall become vested and exercisable (i) with respect to fifty percent (50%) of the Option granted herein on the second anniversary of the Grant Date, and (ii) with respect to an additional twenty-five percent (25%) of the Option Stock granted herein on each of the third and fourth anniversaries of the Grant Date if and only if the Optionee shall have been continuously employed by the Company from the date of this Agreement through and including such dates. Notwithstanding the above, each outstanding unvested Option shall vest and become exercisable in full in the event of the Optionee's death, Disability or Retirement, provided the Optionee has remained continuously employed by the Company from the date of this Agreement to such event. If the Optionee's termination meets the requirements of an Early Retirement (as defined below), this Option shall vest as though the Optionee had undergone a Retirement. "Early Retirement" means retirement with the express consent of the Committee at or before the time of such retirement, from active employment with the Company prior to age sixty-five (65).

(b) Notwithstanding the foregoing, upon the termination of the Optionee's employment within one year following a Change in Control, if the Optionee's employment with the Company (or its successor) is terminated by (A) the Optionee for Good Reason, or (B) the Company for any reason other than for Cause, each outstanding unvested Option shall vest and become exercisable in full; provided that in the event this Award is not assumed by the Acquiror under the terms set forth in Section 13(a) of the Plan, this Option shall become fully vested and exercisable (to the extent not previously terminated) with respect to 100% of the Option Stock.

3. Manner of Exercise . The Option may be exercised in whole or in part at any time within the period permitted hereunder for the exercise of the Option, with respect to whole Shares only, by serving written notice of intent to exercise the Option delivered to the Company at its principal office (or to the Company's designated agent), stating the number of Shares to be purchased, the person or persons in whose name the Shares are to be registered and each such person's address and social security number. Such notice shall not be effective unless accompanied by payment in full of the Option Price for the number of Shares with respect to which the Option is then being exercised (the " Option Payment ") and, except as otherwise provided herein, cash equal to the required withholding taxes as set forth by Internal Revenue Service and applicable state tax guidelines for the employer's minimum statutory withholding. The Option Payment shall be made in cash or cash equivalents or in whole Shares previously acquired by the Optionee and valued at the Shares' Fair Market Value on the date of exercise (or next succeeding trading date if the date of exercise is not a trading date), or by a combination of such cash (or cash equivalents) and Shares. Subject to applicable securities laws, the Optionee may also exercise the Option (a) by delivering a notice of exercise of the Option and by simultaneously selling the Shares of Option Stock thereby acquired pursuant to a brokerage or similar agreement approved in advance by proper officers of the Company, using the proceeds of such sale as payment of the Option Payment, together with any applicable withholding taxes, or (b) by directing the Company to withhold that number of whole Shares otherwise deliverable to the Optionee pursuant to the Option having an aggregate Fair Market Value at the time of exercise equal to the Option Payment. Unless otherwise provided by the Committee at any time, to satisfy any applicable withholding taxes, in lieu of cash the Optionee may direct the Company to withhold that number of whole Shares otherwise deliverable to the Optionee pursuant to the Option.

4. Termination of Option. The Option will expire ten (10) years from the date of grant of the Option (the "Term") with respect to any then unexercised portion thereof, unless terminated earlier as set forth below:

(a) Termination by Death. If the Optionee's employment by the Company terminates by reason of death, or if the Optionee dies within three (3) months after termination of such employment for any reason other than Cause, this Option may thereafter be exercised, to the extent the Option was exercisable at the time of such termination (after giving effect to any acceleration of vesting provided for in Section 2 above), by the legal representative of the estate or by the legatee of the Optionee under the will of the Optionee, for a period of one (1) year from the date of death or until the expiration of the Term of the Option, whichever period is the shorter.

(b) Termination by Reason of Disability. If the Optionee's employment by the Company terminates by reason of Disability, this Option may thereafter be exercised, to the extent the Option was exercisable at the time of such termination (after giving effect to any acceleration of vesting provided for in Section 2 above), by the Optionee or personal representative or guardian of the Optionee, as applicable, for a period of three (3) years from the date of such termination of employment or until the expiration of the Term of the Option, whichever period is the shorter.

(c) Termination by Retirement or Early Retirement. If the Optionee's employment by the Company terminates by reason of Retirement or Early Retirement, this Option may thereafter be exercised by the Optionee, to the extent the Option was exercisable at the time of such termination (after giving effect to any acceleration of vesting provided for in Section 2 above), for a period of three (3) years from the date of such termination of employment or until the expiration of the Term of the Option, whichever period is the shorter.

(d) Termination for Cause. If the Optionee's employment by the Company is terminated for Cause, this Option shall terminate immediately and become void and of no effect.

(e) Other Termination. If the Optionee's employment by the Company terminates for any reason other than for Cause, death, Disability, Retirement or Early Retirement, this Option may be exercised, to the extent the Option was exercisable at the time of such termination (after giving effect to any acceleration of vesting provided for in Section 2 above), by the Optionee for a period of three (3) months from the date of such termination of employment or the expiration of the Term of the Option, whichever period is the shorter.

5. No Right to Continued Employment. The grant of the Option shall not be construed as giving the Optionee the right to be retained in the employ of the Company, and the Company may at any time dismiss the Optionee from employment, free from any liability or any claim under the Plan.

6. Adjustment to Option Stock. The Committee may make equitable and appropriate adjustments in the terms and conditions of, and the criteria included in, this Option in recognition of unusual or nonrecurring events (and shall make the adjustments for the events

described in Section 4.2 of the Plan) affecting the Company or the financial statements of the Company or of changes in applicable laws, regulations, or accounting principles in accordance with the Plan, whenever the Committee determines that such event(s) affect the Shares. Any such adjustments shall be effected in a manner that precludes the material enlargement of rights and benefits under this Award.

7. Amendments to Option. Subject to the restrictions contained in the Plan, the Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, the Option, prospectively or retroactively; provided that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of the Optionee or any holder or beneficiary of the Option shall not to that extent be effective without the consent of the Optionee, holder or beneficiary affected.

8. Limited Transferability. During the Optionee's lifetime, this Option can be exercised only by the Optionee. This Option may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Optionee other than by will or the laws of descent and distribution. Any attempt to otherwise transfer this Option shall be void. No transfer of this Option by the Optionee by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Committee may deem necessary or appropriate to establish the validity of the transfer.

9. Reservation of Shares. At all times during the term of this Option, the Company shall use its best efforts to reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of this Agreement.

10. Plan Governs. The Optionee hereby acknowledges receipt of a copy of (or electronic link to) the Plan and agrees to be bound by all the terms and provisions thereof. The terms of this Agreement are governed by the terms of the Plan, and in the case of any inconsistency between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall govern.

11. Severability. If any provision of this Agreement is, or becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or as to any Person or the Award, or would disqualify the Plan or Award under any laws deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to the applicable laws, or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, Person or Award, and the remainder of the Plan and Award shall remain in full force and effect.

12. Notices. All notices required to be given under this Award shall be deemed to be received if delivered or mailed as provided for herein to the parties at the following addresses, or to such other address as either party may provide in writing from time to time.

To the Company: HealthSpring, Inc.
9009 Carothers Parkway
Suite 501
Franklin, Tennessee 37067
Attn: Corporate Secretary

To the Optionee: The address then maintained with respect to the Optionee in the Company's records.

13. Governing Law. The validity, construction and effect of this Agreement shall be determined in accordance with the laws of the State of Delaware without giving effect to conflicts of laws principles.

14. Resolution of Disputes. Any dispute or disagreement which may arise under, or as a result of, or in any way related to, the interpretation, construction or application of this Agreement shall be determined by the Committee. Any determination made hereunder shall be final, binding and conclusive on the Optionee and the Company for all purposes.

15. Successors in Interest. This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of the Optionee's legal representative and assignees. All obligations imposed upon the Optionee and all rights granted to the Company under this Agreement shall be binding upon the Optionee's heirs, executors, administrators, successors and assignees.

IN WITNESS WHEREOF, the parties have caused this Non-Qualified Stock Option Agreement to be duly executed effective as of the day and year first above written.

HEALTHSPRING, INC.

By: ______________________________

OPTIONEE:

____
Signature

Exhibit 10.6

Amendment No. 3 to the CIGNA Long-Term Incentive Plan (Amended and Restated Effective as of April 28, 2010)

Under Article 14 of the Cigna Long-Term Incentive Plan (Amended and Restated Effective as of April 28, 2010) (the "Plan"), the Plan is amended, effective on April 24, 2013, as follows:

1. Section 11.1(b) of Article 11 of the Plan is amended to read:

11.1 Maximum Number Authorized.

***

(b) Effective as of April 24, 2013, the number of shares of Common Stock authorized to be issued pursuant to Options, SARs, rights, grants or other awards made under this Plan from and after that date shall be 12,414,425 shares plus the number of:

(1) shares reserved for issuance upon exercise of Options granted under Prior Plans, to the extent the Options are outstanding on March 7, 2013, and subsequently expire or are canceled or surrendered;

(2) shares reserved for issuance under Article 9 upon vesting of restricted stock units granted under Qualifying Plans, or upon payment of Strategic Performance Shares under Section 10.1, to the extent the restricted stock units or Strategic Performance Shares are outstanding on March 7, 2013, and subsequently expire or are canceled or surrendered or the number of shares of Common Stock issued upon vesting of the Strategic Performance Shares is subsequently less than the maximum number of shares of Common Stock reserved; and

(3) shares of Restricted Stock granted under Prior Plans, to the extent the applicable Restricted Period has not expired as of March 7, 2013, and the Restricted Stock is subsequently forfeited under Section 7.5 or is otherwise surrendered to the Company before the Restricted Period expires.

For purposes of this Section 11.1, Prior Plans shall include the Cigna Long-Term Incentive Plan as restated effective January 1, 2000, as further amended and restated through April 28, 2010 and as amended April 27, 2011.

***

2. The first sentence of Section 11.3(a) of Article 11 of the Plan is amended to read:

11.3 Share Counting.

(a) Effective as of April 24, 2013, and subject to the other provisions of Section 11.3, the following rules shall apply in determining whether shares of Common Stock remain available for issuance under Section 11.1(a) of the Plan.

3. Section 11.3(a)(4) of Article 11 of the Plan is amended to read:

(4) The “Applicable Limit” is 5,499,842 shares plus any shares described in Section 11.1(b)(2) and (3).

4. Section 11.3(b) of Article 11 of the Plan is amended to read:

(b) The following shall not reduce the number of authorized shares of Common Stock available for issuance under this Plan:

(1) Common Stock reserved for issuance upon exercise or settlement, as applicable, of awards granted under the Plan, to the extent the awards expire or are canceled or surrendered;

(2) Restricted Stock granted under the Plan, to the extent such Restricted Stock is forfeited under Section 7.5 or is otherwise surrendered to the Company before the Restricted Period expires;

(3) Common Stock reserved, upon the grant of restricted stock units under any Qualifying Plans, for issuance under Article 9 when such restricted stock units vest, to the extent the restricted stock units are forfeited, canceled or surrendered;

(4) Common Stock reserved for issuance under Section 10.1 upon vesting of Strategic Performance Shares, to the extent that the Strategic Performance Shares are forfeited, canceled or surrendered or the number of shares of Common Stock issued upon vesting of the Strategic Performance Shares is less than the maximum number of shares of Common Stock reserved; and

(5) Awards, to the extent the payment is actually made in cash.

Cigna Corporation causes this Amendment No. 3 to be executed on April 24, 2013 by its duly authorized officer.

Attest:	CIGNA CORPORATION
/s/ Danthu Thi Phan	/s/ John M. Murabito
Danthu Thi Phan	John M. Murabito
Corporate Secretary	Executive Vice President

Cigna Corporation
Computation Of Ratio Of Earnings To Fixed Charges

(Dollars in millions)	Three Months Ended March 31, 2013		2012	
Income before income taxes	**$**	**74**	$	552
Adjustments:				
Income from equity investee		**(5)**		(2)
Income attributable to redeemable noncontrolling interest		**(2)**		-
Income before income taxes, as adjusted	**$**	**67**	$	550
Fixed charges included in income:				
Interest expense	**$**	**67**	$	66
Interest portion of rental expense		**10**		11
Interest credited to contractholders		**-**		1
	$	**77**	$	78
Income available for fixed charges	**$**	**144**	$	628
RATIO OF EARNINGS TO FIXED CHARGES:		**1.9**		8.1

Exhibit 31.1 CERTIFICATION

I, DAVID M. CORDANI, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cigna Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David M. Cordani
Chief Executive Officer

Date: May 2, 2013

Exhibit 31.2 CERTIFICATION

I, RALPH J. NICOLETTI, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cigna Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Ralph J.Nicoletti

Chief Financial Officer

Date: May 2, 2013

Exhibit 32.1 Certification of Chief Executive Officer of Cigna Corporation pursuant to 18 U.S.C. Section 1350

I certify that, to the best of my knowledge and belief, the Quarterly Report on Form 10-Q of Cigna Corporation for the fiscal period ending March 31, 2013 (the “Report”):

(1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cigna Corporation.

/s/ David M. Cordani

David M. Cordani
Chief Executive Officer
May 2, 2013

Exhibit 32.2 Certification of Chief Financial Officer of Cigna Corporation pursuant to 18 U.S.C. Section 1350

I certify that, to the best of my knowledge and belief, the Quarterly Report on Form 10-Q of Cigna Corporation for the fiscal period ending March 31, 2013 (the “Report”):

(1) complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Cigna Corporation.

/s/ Ralph J. Nicoletti

Ralph J. Nicoletti
Chief Financial Officer
May 2, 2013