

During a prolonged unfavorable economic environment, state and federal budgets could be materially and adversely affected, resulting in reduced reimbursements or payments in federal and state government coverage programs, such as Medicare and social security. In addition, the state and federal budgetary pressures could cause the government to impose new or a higher level of taxes or assessments on us, such as premium taxes on insurance companies and health maintenance organizations and surcharges or fees on select fee-for-service and capitated medical claims. Although we could attempt to mitigate or cover our exposure from such increased costs through, among other things, increases in premiums, there can be no assurance that we will be able to mitigate or cover all of such costs which may have a material adverse effect on our business, results of operations, financial condition and liquidity.

*Cigna is subject to the credit risk of its reinsurers.*

Cigna enters into reinsurance arrangements with other insurance companies, primarily to limit losses from large exposures or to permit recovery of a portion of direct losses. The Company may also enter into reinsurance arrangements in connection with acquisition or divestiture transactions where the underwriting company is not being acquired or sold. The run-off businesses that Cigna has effectively exited through reinsurance include, among others: the retirement benefit business reinsured by Prudential Retirement Insurance and Annuity Company; the individual life insurance and annuity business reinsured by Lincoln National Life Insurance Company and Lincoln Life and Annuity of New York; and the VADBe and GMIB businesses

reinsured by Berkshire Hathaway Life Insurance Company of Nebraska on February 4, 2013.

Under all reinsurance arrangements, reinsurers assume insured losses, subject to certain limitations or exceptions that may include a loss limit. These arrangements also subject Cigna to various obligations, representations and warranties with the reinsurers. Reinsurance does not relieve the Company of liability as the originating insurer. Cigna remains liable to the underlying policyholders if a reinsurer defaults on obligations under the reinsurance arrangement. Although the Company regularly evaluates the financial condition of reinsurers to minimize exposure to significant losses from reinsurer insolvencies, reinsurers may become financially unsound. If a reinsurer fails to meet its obligations under the reinsurance contract or if the liabilities exceed any applicable loss limit, the Company will be forced to cover the claims on the reinsured policies.

The collectability of amounts due from reinsurers is subject to uncertainty arising from a number of factors, including whether the insured losses meet the qualifying conditions of the reinsurance contract, whether reinsurers or their affiliates have the financial capacity and willingness to make payments under the terms of the reinsurance contract, and the magnitude and type of collateral supporting the Company's reinsurance recoverable, such as by sufficient qualifying assets in trusts or letters of credit issued. Although a portion of the Company's reinsurance exposures are secured, the inability to collect a material recovery from a reinsurer could have a material adverse effect on the Company's results of operations, financial condition and liquidity.