

Industry Developments and Strategic Initiatives

The group insurance market remains highly competitive as the rising cost of providing medical coverage to employees has forced companies to re-evaluate their overall employee benefit spending. Demographic shifts have further driven demand for products and services that are sufficiently flexible to meet the evolving needs of employers and employees who want innovative, cost-effective solutions to their insurance needs. Employers continue to shift towards greater employee participatory coverage and voluntary purchases.

Employers are also expressing a growing interest in employee wellness, absence management and productivity and recognizing a strong link between health, productivity and their profitability. As this interest

grows, Cigna believes it is well positioned to deliver integrated solutions that address these broad employer and employee needs through its programs that promote a healthy lifestyle, offer assistance in returning to work and integrate health care and disability programs. Cigna also believes that its strong disability management portfolio and fully integrated programs provide employers and employees tools to improve health status. This focus on managing the employee's total absence enables Cigna to increase the number and likelihood of interventions and minimize disabling events.

There is heightened review by state regulators of group disability insurance industry business and reporting practices. Cigna is frequently the subject of regulatory market conduct and other reviews, audits and investigations by state insurance departments.

D. Global Supplemental Benefits

As explained in Item 1A "Description of Business", in the fourth quarter of 2012, Cigna changed its external reporting segments. The Global Supplemental Benefits segment is comprised of the international supplemental health, life and accident businesses (previously reported in the former International segment) as well as the Medicare supplement business acquired in 2012.

This segment offers supplemental health, life and accident insurance products in the U.S. and selected international markets. With local licenses and partnerships in approximately 20 countries and jurisdictions, Cigna is able to offer products and services to local citizens and globally mobile individuals. These products and services are provided by subsidiaries of Cigna Corporation, including foreign operating entities.

Cigna continues to distinguish itself in the global supplemental health, life and accident businesses through its differentiated direct to consumer distribution, customer insights and marketing capabilities. Cigna enters new markets when the opportunity to bring its product and health solutions is attractive. In 2012, Cigna extended its reach in Turkey through the joint venture with Finansbank and expanded into the U.S. Medigap and supplemental lines of business through acquisition. The 2011 acquisition of FirstAssist in the U.K. added a travel insurance product line and expanded the Company's distribution channels.

Principal Products and Services

Supplemental Health, Life and Accident Insurance

These insurance products generally provide simple, affordable coverage of risks for the health and financial security of individuals. Supplemental health products provide specified payments for a variety of health risks and include personal accident, accidental death, critical illness, hospitalization, travel, dental, cancer and other dread disease coverages. Term life and individual private medical insurance as well as variable universal life insurance and other savings products are also included in the product portfolio. Cigna's supplemental health, life and accident insurance products are offered in South Korea, Taiwan, Indonesia, Hong Kong, the United States, the European Union, China, New Zealand, Thailand and Turkey. Cigna owns a 50%

interest in a Chinese joint venture and a 51% interest in a joint venture in Turkey, through which its products and services are offered. Cigna continues to work with its partner in India to establish a health insurance company that will operate as a joint venture upon licensing. Licensing is expected to occur in 2013.

Medicare Supplement Plans

Through its 2012 acquisition, Cigna also offers individual Medicare Supplement plans that provide retirees with federally standardized Medigap-style plans. Retirees may select amongst the various plans with specific plan options to meet their unique needs and may visit any health care professional or facility that accepts Medicare throughout the U.S. – with no referrals required.

Financial information, including premiums and fees, is presented in the Global Supplemental Benefits section of the MD&A beginning on page 46 and in Note 23 to Cigna's Consolidated Financial Statements.

Pricing and Reinsurance

Premium rates for Cigna's global supplemental benefits products are based on assumptions about mortality, morbidity, customer acquisition and retention, expenses and target profit margins, as well as interest rates. The profitability of these products is primarily driven by the adequacy of mortality and morbidity assumptions used, and customer retention.

Fees for variable universal life insurance products consist of mortality, administrative, asset management and surrender charges assessed against the contractholder's fund balance. Mortality charges on variable universal life may be adjusted prospectively to reflect expected mortality experience. The profitability of these products is primarily driven by the policyholders' fund balances on which fees are charged as well as customer retention.

Premium rates and fees for Medicare supplement products reflect assumptions about future claims, customer retention, expenses, customer demographics, investment returns, and profit margins.