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CIGNA Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Matthew Borsch, Goldman Sachs.

Matthew Borsch - Goldman Sachs

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

David Cordani

Matthew, good morning, it's David. I'll start, and I'll ask Mike to provide some additional color. I think the recorded question is, what does the environment look like and potentially how it has changed? First, relative to our January 1 view in terms of guaranteed costs, experience-rated, rate execution, we're quite pleased with what we've seen to-date in terms of our renewal rate increases, whether it's in the experience-rated portfolio or the guaranteed costs portfolio.

Second, we continue to see it, as I indicated in my prepared remarks, as a very competitive marketplace. Hence, strong rate executions required, as well as our ability to continue to provide alternatives and lean benefit programs. So, overall, by way of framing it, I would say the marketplace continues to be very competitive. We're pleased with the rate of execution we've seen, especially when we juxtapose the rate execution to the retention rates, we are seeing in our book of business for 1-1. Mike?

Mike Bell

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

Matthew Borsch - Goldman Sachs

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

David Cordani

Matthew, David, I'll start. I think the first part of your question is, do we see a different disenrollment or attrition rate in the lower end of the employer (Inaudible) segment versus broadly speaking. First, as I noted, our outlook is for uptick in unemployment levels and, therefore, we upped our disenrollment forecast. That's pretty broadly across our portfolio. We do not have a high bias toward the low-end of the segment versus high-end of the segment.

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