Earnings Preview: Cigna to report 2nd qtr results

The Associated Press

Analysts and investors expected strong results from major health insurers in the second quarter, and they've delivered for the most part, helped by health care use that continues to grow at slower-than-expected rates. Cigna Corp. becomes the final major insurer to report earnings on Thursday.

WHAT TO WATCH FOR: Four of the five largest health insurers based on enrollment have reported better-than-expected earnings so far and raised their profit forecasts for 2011. Humana Inc., Aetna Inc. and UnitedHealth Group Inc. also reported earnings growth, while WellPoint Inc. saw its net income fall 3 percent due mainly to problems with its Medicare Advantage enrollment in California.

Bernstein analyst Ana Gupte said she expects a solid report from Philadelphia-based Cigna as well.

Cigna started the year strong, with net income that jumped 52 percent, as medical claims fell and its international business grew, but the company also has a broader product portfolio than some of its competitors, so its performance can be affected by factors they don't face.

It operates health care, group disability and life segments in the U.S. The insurer also has an international segment that sells individual insurance in several countries and operates an expatriate business that covers people living outside their home countries. Cigna said in March it was expanding that segment.

The insurer's performance also can be affected by its guaranteed minimum income benefits and variable annuity death benefits businesses. Cigna discontinued both in 2000 and operates them in run-off mode, meaning it seeks no new business. Those businesses still can hurt the company's performance when the market turns bad because Cigna's liabilities toward them increase.

The slower-than-expected growth in health care use also may help Cigna less than it has helped other insurers. That mostly benefits Cigna's customers because much of its medical enrollment involves employer-sponsored coverage it administers while the employer pays claims.

In the second quarter, Ralph Nicoletti became the fourth person to hold the title of Cigna chief financial officer since the spring of 2009. He replaced Thomas McCarthy, who had served as acting CFO since Annmarie Hagan resigned last September. Hagan was named CFO in May 2009 to replace Mike Bell.

Nicoletti previously served as executive vice president and chief financial officer at Alberto-Culver Inc., the maker of personal care products that recently was acquired by Unilever Group.

WHY IT MATTERS: Cigna is the fourth-largest commercial health insurer based on enrollment, trailing WellPoint, UnitedHealth and Aetna.

WHAT'S EXPECTED: Analysts surveyed by FactSet expect, on average, earnings of $1.29 per share on $5.36 billion in revenue.

LAST YEAR'S QUARTER: A hit from a discontinued business helped sink Cigna's net income 32 percent to $294 million, or $1.06 per share, in last year's second quarter. But revenue climbed 19 percent to $5.35 billion, and the company raised its profit outlook for 2010.

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