



# Investor Presentation: November 2006

# Forward-Looking Statement

Certain statements in this presentation will be forward-looking statements. Forward-looking statements are defined as statements that are not historical facts and include those statements relating to future events or future financial performance. Actual performance may be significantly impacted by certain risks and uncertainties, including those described in Coventry's Annual Report on Form 10-K for the year ended December 31, 2005 and Coventry's Form 10-Q for the quarter ended June 30, 2006. Coventry undertakes an obligation to update or revise any forward-looking statements.

# Agenda

§ Third Quarter Results

§ 2006 Guidance

§ 2007 Key Topics



# 2006 Third Quarter Results

# Third Quarter Results

## § Strong overall results

§ Record Company EPS of \$0.92

§ Growth of 13.6%, or 17.3% excl. FAS 123R, over prior year quarter

§ 1.9b in revenue - 14.0% growth over prior year quarter

§ Industry-leading operating margin of 11.7%

§ Strong YTD cash flow of 186% of net income

§ Steady medical loss ratios

# Third Quarter Results

## § Favorable commercial price-to-cost spread

§ Premium yield of 5.4% vs. medical expense of 5.0% over the prior year quarter

§ Favorable medical trend results for 2006 vs. earlier expectations

## § Medicare Part D has been a strong contributor

§ Membership of 687,000

§ \$0.07 EPS for the quarter

# 2006 Guidance

§ EPS of \$3.46 - \$3.47 per diluted share

§ GAAP EPS increase of 11.8% from 2005

§ EPS up 15.5% before FAS 123R

§ Full year revenue of \$7.71b - \$7.75b

§ Increase of 16.9% from 2005



# Key Topics for 2007

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- § Trend and Pricing Outlook
  
- § Growth Opportunities
  - § Commercial Business Division
  
  - § Individual Consumer & Government Division
  
  - § Specialty Division
  
- § 2007 Financial Guidance

# Medical Trends and Pricing

## § Nothing new in pricing

§ Price at least equal to medical trend

## § Medical trend continues to run favorably in 2006

§ 2006 running 7.5% vs. earlier 8.0% expectation

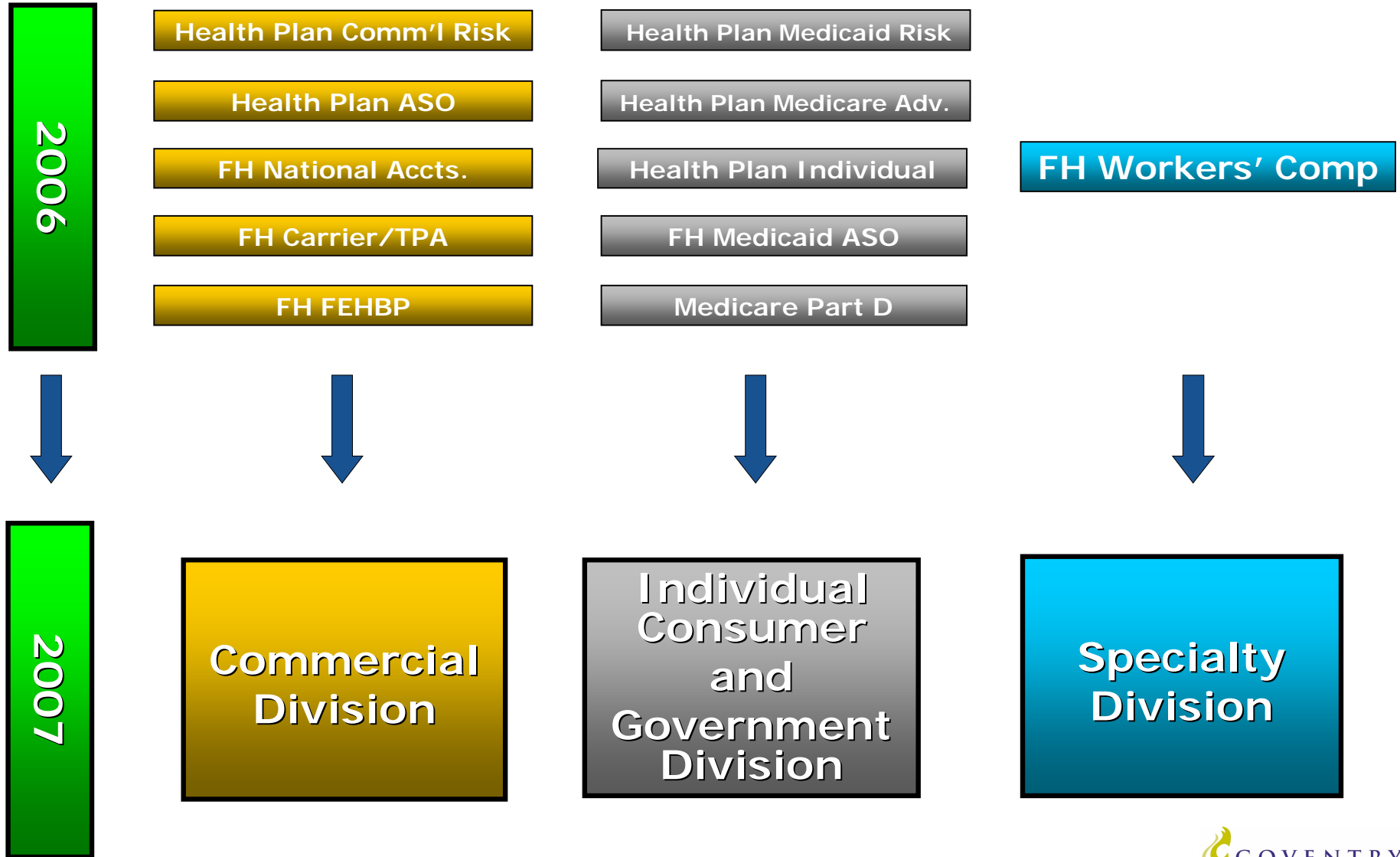
§ Driven by favorable inpatient and outpatient utilization trends

## § 2007 expectation is for stability in the range of ~ 7.5%

§ Approximately flat inpatient utilization trend (vs. decreases in 2006)

§ Lower Rx trend driven mainly by 2006 generic conversions having a full year effect in 2007

# Strategic Business Realignment



# Growth: Commercial Division

- § Backdrop: Commercial business continues to be a strong and predictable performer
- § Top-line growth
  - § Membership: Commercial ASO growth of 5%; Commercial risk growth of 1%
  - § Yield: Commercial risk financial statement PMPM growth ~ 5% (after benefit and mix shifts)
- § MLR stable to slightly down
- § Leverage national network for expansion into new markets

# Growth: Individ. Consumer & Gov't Division

## § Medicare Advantage HMO

- § Savannah, GA market and contiguous counties in existing service areas
- § Membership growth of 5% - 10%

## § Medicare Advantage Private Fee For Service

- § 3-pronged distribution strategy
- § Membership projected in a range of 50,000 – 65,000
- § Revenue projected to be ~ \$500m
- § Pre-tax margins of 4% - 6%

# Growth: Individ. Consumer & Gov't Division

## § Medicaid

- § Modest 2007 opportunity, including application states
- § Membership growth of 3% - 5% on risk product
- § RFP opportunities for 2008 and beyond

## § Individual

- § 19,000 members as of 9/30; 90% growth from prior year
- § Continued expansion of footprint both in existing health plan markets and beyond

# Growth: Specialty Division

## § Today

### § Workers' Compensation Services

§ Organic revenue growth opportunities

§ Seeking M&A opportunities to expand Workers' Compensation Services product offerings

## § Tomorrow

§ Add logical complementary businesses, likely through acquisition



# 2007 Financial Guidance

# Financial Details

§ Diluted EPS in a range of \$3.82 to \$3.95

§ Represents increase of 10% - 14% from 2006

§ Consolidated revenues of \$8.66b - \$9.03b

§ Midpoint of range represents 14%+ growth from 2006

§ Medical Loss Ratio (MLR) midpoint of 79.8%

§ Stable MLR in existing businesses

# 2007 Outlook & Long-Term Goals

- § Steady and reliable performance
- § Pursue growth opportunities in all divisions
  - § New product opportunities
  - § Start-ups leveraging company assets
  - § Acquisitions
- § Maintain diversified revenue, earnings, and cash flow streams
- § Grow the business while maintaining industry-leading margins