

Report of Examination of

CIGNA Dental Health of Ohio, Inc.
Canton, Ohio

As of December 31, 2010

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Columbus, Ohio
August 30, 2011

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

CIGNA Dental Health of Ohio, Inc.

an Ohio domiciled health insuring corporation, hereinafter referred to as the “Company”.

Scope of Examination

The Department last examined the Company as of December 31, 2005. The Department’s current examination covers the period of January 1, 2006 through December 31, 2010.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For all years under examination, the Certified Public Accounting firm of PricewaterhouseCoopers LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Matthew G. Manders	President, CIGNA US Service, Clinical and Specialty
William J. Smith	Business Financial Officer, CIGNA Corporation
Julie A. Vayer	Vice President, CIGNA Corporation

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
Matthew G. Manders	President
Shermona S. Mapp	Secretary
William J. Smith	Treasurer

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. CIGNA Corporation (“CIGNA”), a publicly traded holding company, is the ultimate controlling person within the holding company system. The Company is a wholly-owned subsidiary of CIGNA Dental Health, Inc. (“CDH”), an indirect wholly-owned subsidiary of CIGNA.

Territory and Plan of Operations

The Company is licensed only in the State of Ohio and provides prepaid dental care benefits to employers and other groups or subscribers as stand-alone products or integrated with medical products offered by other CIGNA affiliates.

The Company operates under the terms of an Administrative Services Agreement with CDH, originally executed on June 27, 1985 and last amended effective December 31, 2007. CDH provides services including, but not limited to, data processing, financial, marketing and plan administration services to the Company. CDH receives a fixed monthly management fee from the Company based on schedules included in the rate filings approved by the Department.

Reinsurance

The Company does not assume or cede reinsurance.

Significant Operating Results

The Company reported the following underwriting results during the examination period, reported in thousands:

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Premium earned	\$9,398	\$9,164	\$9,359	\$9,150	\$10,723
Medical and professional	5,574	5,749	5,941	5,912	6,961
Administrative services	<u>1,019</u>	<u>1,078</u>	<u>1,218</u>	<u>1,154</u>	<u>1,448</u>
Net underwriting gain	<u>\$2,805</u>	<u>\$2,337</u>	<u>\$2,200</u>	<u>\$2,084</u>	<u>\$ 2,314</u>

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

- Statement of Assets, Liabilities, Capital and Surplus
- Statement of Revenue and Expenses
- Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2010**

Bonds	\$ 100,796
Cash and short term investments	<u>2,289,791</u>
Subtotal, cash and invested assets	2,390,587
Investment income due and accrued	661
Uncollected premiums in course of collection	816,144
Current federal income tax recoverable	19,444
Net deferred tax asset	4,941
Receivable from parent, subsidiaries and affiliates	<u>14,542</u>
Total assets	<u>\$3,246,319</u>
Claims unpaid	\$ 367,326
Unpaid claims adjustment expenses	8,418
Premiums received in advance	30,837
General expenses due or accrued	106,031
Remittances and items not allocated	<u>7,882</u>
Total liabilities	<u>520,494</u>
Common capital stock	100
Gross paid in and contributed surplus	273,258
Unassigned funds	<u>2,452,467</u>
Total capital and surplus	<u>2,725,825</u>
Total liabilities, capital and surplus	<u>\$3,246,319</u>

**Statement of Revenues and Expenses
As of December 31, 2010**

Net premium income	<u>\$9,398,265</u>
Hospital and medical:	
Professional services	5,207,069
Outside referrals	<u>367,416</u>
Total hospital and medical	5,574,485
Claims adjustment expenses	24,396
General administrative expenses	<u>994,799</u>
Total underwriting expenses	<u>6,593,680</u>
Net underwriting gain	<u>2,804,585</u>
Net investment income earned	2,818
Net realized capital gains	<u>9</u>
Net investment gains	<u>2,827</u>
Net income before federal income taxes	2,807,412
Federal income taxes incurred	<u>982,579</u>
Net income	<u>\$1,824,833</u>

Statement of Changes in the Capital and Surplus Account
(in thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Capital and surplus, prior year end	<u>\$2,165</u>	<u>\$1,639</u>	<u>\$1,454</u>	<u>\$1,348</u>	<u>\$2,050</u>
Net income	1,825	1,521	1,458	1,408	1,563
Change in net deferred income tax	(87)	24	13	21	2
Change in non-admitted assets	248	(62)	(36)	(73)	(17)
Prior year adjustment	-	43	-	-	-
Dividends to stockholder	<u>(1,425)</u>	<u>(1,000)</u>	<u>(1,250)</u>	<u>(1,250)</u>	<u>(2,250)</u>
Net change during the year	<u>561</u>	<u>526</u>	<u>185</u>	<u>106</u>	<u>(702)</u>
Capital and surplus, end of year	<u>\$2,726</u>	<u>\$2,165</u>	<u>\$1,639</u>	<u>\$1,454</u>	<u>\$1,348</u>

Notes to Financial Statements

Investments

The Company's investments are managed by CIGNA Investments, Inc., an affiliate, under the terms of an Investment Advisory Agreement that was filed with and approved by the Department.

The Company's investments were in compliance with ORC Section 1751.25 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Claims Unpaid

The Company's Board of Directors appointed David Tobin, FSA, MAAA, Actuarial Senior Director, Connecticut General Life Insurance Company, an affiliate, to render the Statement of Actuarial Opinion in connection with the preparation of the Company's December 31, 2010 Annual Statement.

The year-end 2010 reserves appear reasonable based on a review of claim payments made through the second quarter of 2011. Since dental claims are short tailed in nature, the risk of material adverse deviation from current expectations is remote.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2010, and is summarized as follows:

Total Assets	<u>\$ 3,246,319</u>
Liabilities	\$ 520,494
Capital and Surplus	<u>2,725,825</u>
Total Liabilities, Capital and Surplus	<u>\$ 3,246,319</u>

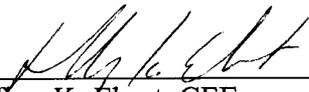
Subsequent Events

There have been no events subsequent to the examination date which would have a material effect on the financial condition of the Company.

Acknowledgement

Appreciation is expressed for the professional and courteous assistance extended by the officers and employees of the Company and its affiliates during the course of this examination.

Respectfully,



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance



David A. Cook, CFE,
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2010.

J. M. Ebert 9/15/11
Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 15 day of September, 2011.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires

David A. Cook 9/15/11
Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 15 day of September, 2011.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
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