Report of Examination of

Central Reserve Life Insurance Company
Austin, Texas

As of December 31, 2013

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Columbus, Ohio
February 27, 2015

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

Dear Lieutenant Governor/Director:

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

Central Reserve Life Insurance Company

an Ohio domiciled, stock, life insurance company, hereinafter referred to as the "Company."

Scope of Examination

The Department last examined the Company as of December 31, 2011. The Department's current examination covers the period of January 1, 2012, through December 31, 2013.

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
Eric P. Palmer	Chief Financial Officer, Cigna Health and Life Insurance Company
Frank Sataline, Jr.	Senior Vice President, Cigna Health and Life Insurance Company
Paul A. Severt	Chief Financial Officer, Cigna Supplemental Benefits
Bradley A. Wolfram	President, Cigna Supplemental Benefits

Officers

As of the examination date, the following principal executive officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
Bradley A. Wolfram	President
Brenda W. Hardison	Secretary
Byron K. Buescher	Treasurer
James M. Garvin, III	Appointed Actuary
Tracy E. Maples	Chief Actuary
Paul A. Severt	Chief Financial Officer
Michael K. Brown	Vice President
Maureen H. Ryan	Assistant Treasurer
Barry R. McHale	Assistant Treasurer

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The Company is a wholly owned subsidiary of Cigna Health and Life Insurance Company, domiciled in Connecticut, and an indirect wholly owned subsidiary of Cigna Corporation ("Cigna"), the ultimate controlling person in the holding company system. Cigna is a publicly held company whose

subsidiaries provide insurance, health care, investment and financial services. The Company and other affiliated companies were acquired by Cigna from Great American Financial Resources, Inc. on August 31, 2012.

Territory and Plan of Operations

The Company is licensed to transact business in thirty-four states. The Company's business in force includes life, annuities, Medicare supplement and other supplemental health insurance products. Retained business is comprised mainly of a closed block of Medicare supplement insurance and a minor book of other health policies. The Company is not actively writing new business at the present time.

Reinsurance

On January 1, 1998, the Company entered into a reinsurance agreement under which it ceded 50% of its existing in-force business. On August 1, 2006, the Company entered into another reinsurance agreement under which it ceded 50% of its in-force business, including business subject to the 1998 agreement. As a result of these two agreements, 75% of the risk on business issued before January 1, 1998, and 50% of the risk issued from that date through August 1, 2006, is reinsured.

On August 1, 2006, the Company ceded all of its existing major medical business on an assumption reinsurance basis. If novation of the underlying contracts does not occur, the business is accounted for on a 100% coinsurance basis.

On August 31, 2012, all of the Company's remaining life and annuity insurance risk was ceded to a former affiliate.

All contracts contained an insolvency clause, errors and omission clause and an arbitration clause, which meet the guidelines prescribed by the NAIC.

Financial Statements

The financial condition and the results of its operations for the two-year 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, Surplus and Other Funds
Summary of Operations
Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds
December 31, 2013

Assets	
Bonds	$ 4,554,133
Common stocks	12,798,822
Cash and short-term investments	4,926,474
Subtotal, cash and invested assets	22,279,429
Investment income due and accrued	23,126
Uncollected premiums and agents' balances	(662,948)
Amounts recoverable from reinsurers	399,291
Other amounts receivable under reinsurance contracts	83,093
Net deferred tax asset	765,912
Guaranty funds receivable or on deposit	100,590
Receivables from parent, subsidiaries and affiliates	6,795
Total assets	$ 22,995,288
Liabilities	
Aggregate reserve for accident and health contracts	$ 1,138,454
Accident and health contract claims	458,902
Premiums received in advance	55,055
Interest Maintenance Reserve	41,398
General expenses due or accrued	21,593
Taxes, licenses and fees due or accrued	159,765
Current federal and foreign income taxes	80,420
Remittances and items not allocated	15,117
Asset valuation reserve	3,763
Aggregate write-ins for liabilities	80,074
Total liabilities	2,054,541
Capital and Surplus	
Common capital stock	2,500,000
Gross paid in and contributed surplus	39,862,110
Unassigned funds	(21,421,363)
Total capital and surplus	20,940,747
Total liabilities, capital and surplus	$ 22,995,288

Summary of Operations
For the Year Ended December 31, 2013

Premiums and annuity considerations	$	6,501,784
Net investment income		77,698
Amortization of Interest Maintenance Reserve		7,550
Commissions and expense allowances on reinsurance ceded		451,685
Aggregate write-ins for miscellaneous income		4,232
Total		7,042,949
Disability benefits and benefits under accident and health contracts		4,346,005
Increase in aggregate reserves		(34,955)
Total		4,311,050
Commissions on direct business		522,972
General insurance expenses		722,341
Insurance taxes, licenses and fees		267,874
Increase in loading on deferred and uncollected premiums		(1,251)
Aggregate write-ins for deductions		858
Total		5,823,844
Net gain from operations before federal income taxes		1,219,105
Federal and foreign income taxes incurred		125,215
Net income	$	1,093,890

Statement of Changes in the Capital and Surplus Account
As of and For the Year Ended December 31
(In thousands)

	2013	2012	2011	2010	2009
Capital and surplus, prior year end	$ 27,448	$ 20,622	$ 19,069	$ 16,716	$ 14,622
Net income (loss)	1,094	2,971	1,213	2,688	(532)
Change in net unrealized capital gains (losses)	2,461	5,742	2,749	413	(798)
Change in net deferred income tax	529	604	(152)	242	148
Change in non-admitted assets	(460)	(398)	259	(389)	49
Change in AVR	(4)	8	3	(0)	1
Cumulative effect of changes in accounting principles	0	0	0	1,871	0
Surplus adjustments	(10,128)	(171)	(2,713)	(2,708)	1,727
Aggregate write-ins	0	(1,929)	194	237	1,498
Net change in capital and surplus	(6,508)	6,826	1,553	2,354	2,093
Capital and surplus, current year end	$ 20,941	$ 27,448	$ 20,622	$ 19,069	$ 16,716

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3907.14 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Aggregate Reserve for Accident and Health Contracts

The Company's Board of Directors appointed James M. Garvin, III, FSA, MAAA, Actuarial Director of the Company, to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Garvin prepared an Actuarial Memorandum supporting the Opinion in connection with the preparation of the Company's 2013 Annual Statement.

Thomas S. Botsko, ACAS, MAAA, the Department's Actuary, reviewed the Actuarial Memorandum and performed other procedures as considered necessary to evaluate the reserves. On the basis of his analysis, Mr. Botsko concluded the reserves presented in the 2013 Annual Statement appear reasonable.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Admitted Assets	$ 22,995,288
Liabilities	$ 2,054,541
Capital and Surplus	20,940,747
Total Liabilities, Capital and Surplus	$ 22,995,288

Acknowledgement

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

In addition to the aforementioned and undersigned, the following representatives of the Department participated in this examination: Mohammad A. Arif, AES, CFE, CISA, CIDM, CISSP, and Ryan S. Gibson, AES, CFE, CISA, FLMI.

Respectfully,

Kevin J. Rupp, CFE
Examiner-In-Charge
Ohio Department of Insurance

William C. Harrington, CFE
Chief Examiner
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, 2013.

Examiner-In-Charge	4/20/15 Date	Chief Examiner	4/21/05 Date

State of Ohio
County of Franklin

Personally appeared before me the above named, Kevin J. Rupp, 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 knowledge and belief.

Subscribed and sworn to before me this 20 day of April, 2015.

(Notary Public)

3-28-2016
My Commission Expires

KIMBERLY ANN LOWRY
NOTARY PUBLIC • STATE OF OHIO
Recorded in Franklin County
My commission expires Mar. 28, 2016

State of Ohio
County of Franklin

Personally appeared before me the above named William C. Harrington, 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 knowledge and belief.

Subscribed and sworn to before me this 20 day of April, 2015.

(Notary Public)

3-28-2016
My Commission Expires

KIMBERLY ANN LOWRY
NOTARY PUBLIC • STATE OF OHIO
Recorded in Franklin County
My commission expires Mar. 28, 2016