

Report of Examination of

**United Benefit Life Insurance Company**  
Austin, Texas

As of December 31, 2013

## Table of Contents

<b>Subject</b>	<b>Page</b>
Salutation.....	1
Description of Company.....	1
Scope of Examination.....	1
Management and Control:	
Board of Directors .....	2
Officers .....	2
Insurance Holding Company System .....	2
Territory and Plan of Operations .....	3
Reinsurance .....	3
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds .....	4
Summary of Operations.....	4
Statement of Changes in the Capital and Surplus Account.....	5
Notes to Financial Statements:	
Investments.....	5
Aggregate Reserve for Accident and Health Contracts.....	5
Conclusion.....	6
Acknowledgement.....	6

Columbus, Ohio  
February 27, 2015

Honorable Mary Taylor  
Lieutenant Governor/Director  
State of Ohio  
Department of Insurance  
50 West Town Street  
3<sup>rd</sup> 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

**United Benefit 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:

<b>Name</b>	<b>Principal Occupation</b>
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:

<b>Name</b>	<b>Title</b>
Bradley A. Wolfram	President
Brenda W. Hardison	Secretary
Byron K. Buescher	Treasurer
James M. Garvin, III	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 Provident American Life and Health Insurance Company, domiciled in Ohio, 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 twenty-seven states and the District of Columbia. The Company has no insurance in force, nor is it currently engaged in any marketing activities.

### **Reinsurance**

The Company has no assumed or ceded reinsurance.

### **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	\$ 1,727,152
Cash and short-term investments	<u>1,381,619</u>
Subtotal, cash and invested assets	3,108,771
Investment income due and accrued	<u>4,501</u>
Total assets	<u><u>\$ 3,113,272</u></u>

**Liabilities**

Interest Maintenance Reserve	\$ 50,163
Taxes, licenses and fees due or accrued	1,927
Asset valuation reserve	1,075
Payable to parent, subsidiaries and affiliates	<u>391</u>
Total liabilities	<u>53,556</u>

**Capital and Surplus**

Common capital stock	1,500,000
Gross paid in and contributed surplus	18,820,665
Unassigned funds	<u>(17,260,949)</u>
Total capital and surplus	<u>3,059,716</u>
Total liabilities, capital and surplus	<u><u>\$ 3,113,272</u></u>

**Summary of Operations  
For the Year Ended December 31, 2013**

Net investment income	\$ 5,689
Amortization of Interest Maintenance Reserve	2,478
Aggregate write-ins for miscellaneous income	<u>8,066</u>
Total	<u>16,233</u>
General insurance expenses	33,742
Insurance taxes, licenses and fees	42,226
Aggregate write-ins for deductions	<u>50</u>
Total	<u>76,018</u>
Net income	<u><u>\$ (59,785)</u></u>

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and surplus, prior year end	\$ 3,120	\$ 3,135	\$ 3,125	\$ 3,132	\$ 3,130
Net income (loss)	(60)	(18)	11	(8)	(3)
Change in net deferred income tax	(495)	494	0	0	(2)
Change in non-admitted assets	495	(494)	(1)	0	6
Change in AVR	(1)	0	0	1	1
Capital changes	0	0	(1,000)	0	0
Surplus adjustments	<u>0</u>	<u>3</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus	<u>(61)</u>	<u>(15)</u>	<u>10</u>	<u>(6)</u>	<u>2</u>
Capital and surplus, current year end	<u>\$ 3,060</u>	<u>\$ 3,120</u>	<u>\$ 3,135</u>	<u>\$ 3,125</u>	<u>\$ 3,132</u>

**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"). In the Opinion, Mr. Garvin states that no actuarial reserves or liabilities are necessary since there was no business in force for any time during the calendar year ending December 31, 2013.

Thomas S. Botsko, ACAS, MAAA, the Department's Actuary, reviewed the Opinion 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	<u>\$ 3,113,272</u>
Liabilities	\$ 53,556
Capital and Surplus	<u>3,059,716</u>
Total Liabilities, Capital and Surplus	<u>\$ 3,113,272</u>

## Acknowledgement

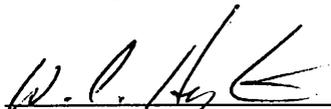
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

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.

Kevin J. Rupp      4/20/15      W. C. Harrington      4-21-15  
Examiner-In-Charge      Date      Chief Examiner      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.

Kimberly Ann Lowry  
(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.

Kimberly Ann Lowry  
(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