

Report of Examination of

**Cigna Dental Health of Ohio, Inc.**  
Columbus, Ohio

As of December 31, 2014

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Columbus, Ohio  
March 31, 2016

Honorable Mary Taylor  
Lt. Governor/Director  
State of Ohio  
Department of Insurance  
50 West Town Street  
3<sup>rd</sup> 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, stock, health insuring corporation, hereinafter referred to as the “Company.”

**Scope of Examination**

The Department last examined the Company as of December 31, 2010. The Department’s current examination covers the period of January 1, 2011 through December 31, 2014.

Representatives of the Department facilitated the multi-state coordinated examination of Cigna Corporation’s Sub-Group # 2, Cigna Dental Health entities, as established by the State of Connecticut, lead state regulator for Cigna Corporation. The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in Section 3901.07 of the ORC and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

For all years under examination, the Certified Public Accounting firm of PricewaterhouseCoopers, LLP provided an unqualified opinion on the statutory-basis financial statements of the Company. Representatives of the Department reviewed the independent auditors' reports and supporting work papers 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>Principle Occupation</b>   |
|--------------------|---|
| Mathew Manders     | President,<br>U.S. Commercial Markets and<br>Global Health Care Operations,<br>Cigna Corporation                  |
| Julie Vayer        | Chief Operating Officer,<br>Total Health and Network,<br>Cigna Corporation  |
| Christopher Whalen | Business Financial Officer,<br>Regional and Select Segments and<br>Total Health and Network,<br>Cigna Corporation |

### **Officers**

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

| <b>Name</b>        | <b>Title</b>                 |
|--------------------|------------------------------|
| Mathew Manders     | President                    |
| Scott Lambert      | Vice President               |
| Maureen Ryan       | Vice President               |
| Lance Thomas       | Vice President               |
| Julie Vayer        | Vice President               |
| Christopher Whalen | Vice President and Treasurer |
| Anna Krishtul      | Secretary                    |

## Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. The Company is a wholly-owned subsidiary of Cigna Dental Health, Inc., which is a wholly-owned subsidiary of Connecticut General Corporation (“CGC”). CGC is a wholly-owned subsidiary of Cigna Holdings, Inc., which, in turn is a wholly-owned subsidiary of Cigna Corporation, the ultimate controlling person in the holding company system. The common stock of Cigna Corporation is traded on the New York Stock Exchange.

## Territory and Plan of Operations

The Company is licensed in Ohio to provide comprehensive dental health services to customers for predetermined prepaid monthly fees. The Company pays monthly fees to participating dental care providers based generally upon the number of individuals enrolled in the plan.

The table below illustrates the Company’s underwriting results, reported in thousands, during the examination period:

|                                       | 2014           | 2013            | 2012           | 2011           |
|---------------------------------------|----------------|-----------------|----------------|----------------|
| Premium earned                        | \$ 9,303       | \$ 9,147        | \$ 9,170       | \$ 9,519       |
| Medical and professional              | 5,035          | 4,902           | 5,184          | 5,279          |
| Claims adjustment and admin. expenses | <u>1,050</u>   | <u>890</u>      | <u>899</u>     | <u>975</u>     |
| Net underwriting gain                 | <u>\$3,218</u> | <u>\$ 3,355</u> | <u>\$3,087</u> | <u>\$3,265</u> |

## Reinsurance

The Company does not assume or cede any business.

## Financial Statements

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2014. The Department made no adjustments to the Company’s surplus as a result of the examination.

**Statement of Assets, Liabilities, Capital and Surplus**  
**December 31, 2014**

**Assets**

|   |                     |
|---|---------------------|
| Bonds   | \$ 100,779          |
| Cash, cash equivalents and short-term investments | <u>2,649,374</u>    |
| Subtotal, cash and invested assets                | 2,750,153           |
| Investment income due and accrued                 | 543                 |
| Uncollected premiums in course of collection      | 759,528             |
| Net deferred tax asset                            | <u>2,809</u>        |
| Total admitted assets                             | <u>\$ 3,513,033</u> |

**Liabilities**

|                                      |                |
|--------------------------------------|----------------|
| Claims unpaid                        | \$ 285,496     |
| Unpaid claims adjustment expenses    | 5,938          |
| Premiums received in advance         | 24,777         |
| General expenses due or accrued      | 105,504        |
| Current federal income tax payable   | 1,345          |
| Remittances and items not allocated  | 8,325          |
| Amounts due to parent and affiliates | <u>125,613</u> |
| Total liabilities                    | <u>556,998</u> |

**Capital and Surplus**

|  |                     |
|--|---------------------|
| Aggregate write-in for special surplus funds | 165,545             |
| Common capital stock                         | 100                 |
| Gross paid in and contributed surplus        | 273,258             |
| Unassigned funds                             | <u>2,517,132</u>    |
| Total capital and surplus                    | <u>2,956,035</u>    |
| Total liabilities, capital and surplus       | <u>\$ 3,513,033</u> |

**Statement of Revenue and Expenses  
For the Year Ended December 31, 2014**

Revenue

|                     |                  |
|---------------------|------------------|
| Net premiums income | \$ 9,303,409     |
| Total revenue       | <u>9,303,409</u> |

Hospital and Medical

|                                |                  |
|--------------------------------|------------------|
| Professional services          | 4,657,720        |
| Outside referrals              | <u>376,994</u>   |
| Total hospital and medical     | 5,034,714        |
| Claim adjustment expenses      | 22,343           |
| General administrative expense | <u>1,028,085</u> |
| Total underwriting deductions  | <u>6,085,142</u> |
| Net underwriting gain          | <u>3,218,267</u> |

|                              |                |
|------------------------------|----------------|
| Net investment income earned | (1,622)        |
| Net realized capital gains   | <u>50</u>      |
| Net investment gain (loss)   | <u>(1,572)</u> |

|   |              |
|---|--------------|
| Net gain (loss) from premium balances charged off | <u>(206)</u> |
|---|--------------|

|  |                     |
|--|---------------------|
| Net income before federal income taxes | 3,216,489           |
| Federal income taxes incurred          | <u>1,172,317</u>    |
| Net income                             | <u>\$ 2,044,172</u> |

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

|                                       | <u>2014</u>     | <u>2013</u>     | <u>2012</u>     | <u>2011</u>     |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Capital and surplus, prior year-end   | \$ 2,891        | \$ 2,905        | \$ 2,675        | \$ 2,726        |
| Net income                            | 2,044           | 2,180           | 2,008           | 2,125           |
| Change in net deferred income tax     | 0               | (1)             | 1               | (1)             |
| Change in non-admitted assets         | 1               | 3               | (4)             | 0               |
| Dividends to stockholders             | <u>(1,980)</u>  | <u>(2,195)</u>  | <u>(1,775)</u>  | <u>(2,175)</u>  |
| Net change in capital and surplus     | <u>65</u>       | <u>(13)</u>     | <u>230</u>      | <u>(51)</u>     |
| Capital and surplus, current year-end | <u>\$ 2,956</u> | <u>\$ 2,891</u> | <u>\$ 2,905</u> | <u>\$ 2,675</u> |

## Notes to Financial Statements

### Investments

The Company's investments were in compliance with the ORC 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 Gregory Malone, FSA, MAAA, Actuarial Senior Director, Cigna Corporation, to render the Company's 2014 Statement of Actuarial Opinion. The 2013 Actuarial Opinion was completed by Gregory Czar, FSA, MAAA, an officer of the Company.

Thomas Botsko, ACAS, MAAA, the Department's Chief Property and Casualty Actuary, reviewed the Company's 2013 and 2014 actuarial opinions, and the 2014 and 2015 annual statements. The 2014 run-off of the 2013 reserves indicate that the 2013 carried reserves developed with a deficiency. The 2015 run-off of the 2014 reserves also indicates a deficiency; however, the 2014 run-off is much less deficient than the prior year. Mr. Botsko concludes the Company's reserves as of December 31, 2014 appeared to be good and sufficient at the time they were booked but have subsequently proven to be slightly deficient.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

|  |                     |
|--|---------------------|
| Total Admitted Assets                  | <u>\$ 3,513,033</u> |
| Liabilities                            | 556,998             |
| Capital and Surplus                    | <u>2,956,035</u>    |
| Total Liabilities, Capital and Surplus | <u>\$ 3,513,033</u> |

### Subsequent Events

In July 2015, Anthem, Inc. and Cigna Corporation announced that they have entered into a definitive agreement whereby Anthem, Inc. will acquire all outstanding shares of Cigna Corporation in a cash and stock transaction, valued at approximately \$54 billion. Several legal and regulatory approvals are required to formally close the transaction, which is expected to be completed in the second half of 2016.

During 2015, Dinesh Ganesan was elected to the Company's board of directors. Mr Ganesan serves as the Chief Financial Officer, US Employer Segments and Provider Partnerships, Cigna Corporation. Scott Lambert was named Treasurer, replacing Christopher Whalen, who no longer serves as a director of the Company.

### Acknowledgement

Appreciation is expressed for the assistance extended by the officers and employees of Cigna Corporation and its subsidiaries during the course of this examination.

In addition to the undersigned, Kimberly Somogyi, CPA, of the Department, participated in this examination.

Respectfully,



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Jeffrey K. Ebert, CFE  
Assistant 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, 2014.

*J. K. Ebert*      5/3/2016  
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 knowledge and belief.

Subscribed and sworn to before me this 3 day of May, 2016.

*Elizabeth Chase*  
(Notary Public)  
**ELIZABETH CHASE**  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017  
My Commission Expires