



**ODI**  
Ohio Department  
of Insurance

John R. Kasich, Governor  
Mary Taylor, Lt. Governor/Director

50 West Town Street  
Third Floor – Suite 300  
Columbus, OH 43215-4186  
(614) 644-2658  
[www.insurance.ohio.gov](http://www.insurance.ohio.gov)

May 12, 2016

Mr. Richard Chircosta  
Chairman, President and Chief Executive Officer  
Medical Mutual of Ohio  
2060 East Ninth Street  
Cleveland, OH 44115

Dear Mr. Chircosta;

The Ohio Department of Insurance ("Department") has completed the financial examination of Medical Mutual of Ohio and its wholly-owned subsidiaries, Medical Health Insuring Corporation of Ohio and Consumers Life Insurance Company, and prepared the enclosed final Reports of Examination ("Reports"), as of December 31, 2014.

Pursuant to Section 3901.07 of the Ohio Revised Code, any written objections to the Reports may be filed with the Department within thirty days after the postmark on the envelope in which the Reports were mailed. Objections shall be attached to and made a part of the Reports, which then shall be placed in the files of the Department as public records.

If you have any questions, please feel free to call me at 614-728-1377 or e-mail me at [timothy.biler@insurance.ohio.gov](mailto:timothy.biler@insurance.ohio.gov).

Very truly yours,

Timothy Biler  
Chief Financial Analyst / Examiner  
Office of Risk Assessment  
Ohio Department of Insurance

Enclosures

Report of Examination of

**Consumers Life Insurance Company**  
Cleveland, Ohio

As of December 31, 2014

## 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 .....	3
Territory and Plan of Operations .....	3
Significant Operating Results .....	3
Reinsurance.....	4
Financial Statements:	
Statement of Assets, Liabilities, Surplus and Other Funds .....	5-6
Statement of Income .....	7
Statement of Changes in the Capital and Surplus Account .....	8
Notes to Financial Statements:	
Investments .....	8
Aggregate Reserves for Life and Accident and Health Contracts.....	8
Conclusion .....	9
Acknowledgement .....	9

Columbus, Ohio  
May 6, 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

**Consumers 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, 2009. The Department’s current examination covers the period from and including January 1, 2010 through December 31, 2014.

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 Company’s 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 Ernst & Young, LLP provided an unqualified opinion on the Statutory-Basis Financial Statements of the Company based on Statutory Accounting Principles. Representatives of the Department reviewed the independent auditors' report 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>Principal Occupation</b>
James Cellura	Vice President Corporate Treasury and Investments, Medical Mutual of Ohio
Jared Chaney	Executive Vice President, Chief Communications and Marketing Officer, Medical Mutual of Ohio
Richard Chiricosta	Chairman, President and Chief Executive Officer, Medical Mutual of Ohio
Steffany Larkins	Secretary, Chief of Staff and Chief Diversity Officer, Medical Mutual of Ohio
Raymond Mueller	Executive Vice President, Chief Financial Officer and Treasurer, Medical Mutual of Ohio

### **Officers**

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

<b>Name</b>	<b>Title</b>
Richard Chiricosta	President and Chief Executive Officer
Raymond Mueller	Treasurer
Steffany Larkins	Secretary

## Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in Section 3901.32 of the ORC. Medical Mutual of Ohio (“MMO”) is the ultimate controlling entity within the holding company system and the following schedule lists MMO’s wholly-owned subsidiaries as of December 31, 2014.

Medical Mutual of Ohio  
Medical Health Insuring Corporation of Ohio  
MMO Agency Management, LLC  
Talus Brokerage Services, LLC  
Consumers Life Insurance Company  
Medical Mutual Services, LLC

## Territory and Plan of Operations

The Company is licensed to sell life and accident and health insurance in 34 states and the District of Columbia, with a majority of policies written in Ohio. The Company provides term life, accidental death and dismemberment, and disability coverage to employer groups and Medicare supplemental policies to individuals. Prior to 2014, the Company also offered medical insurance products to individuals and employer groups in markets outside of Ohio. None of the Company’s policies are subject to assessments or risk sharing provisions of the Affordable Care Act.

## Significant Operating Results

The Company reported the following net underwriting results, reported in thousands, for Ordinary Life, Group Life, Accident and Health Group and Accident and Health Other business segments during 2014:

	<b>Total</b>	<b>Ordinary Life Insurance</b>	<b>Group Life Insurance</b>	<b>Accident and Health Group</b>	<b>Accident and Health Other</b>
Total revenue	<u>\$26,282</u>	<u>\$ 292</u>	<u>\$20,156</u>	<u>\$ 5,125</u>	<u>\$ 709</u>
Net death, disability benefits and benefits under accident and health contracts	21,786	390	15,911	5,070	416
Commissions	1,779	65	1,455	213	45
General insurance expense	2,457	10	1,938	(497)	1,005
Insurance taxes, license, and fees (excluding federal income tax)	621	4	389	113	116
Other expense	<u>108</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108</u>
Total underwriting deductions	<u>26,751</u>	<u>469</u>	<u>19,693</u>	<u>4,899</u>	<u>1,690</u>
Underwriting gain (loss)	<u>(469)</u>	<u>(177)</u>	<u>463</u>	<u>226</u>	<u>(981)</u>
Federal income taxes	<u>899</u>	<u>342</u>	<u>(891)</u>	<u>(441)</u>	<u>1,889</u>
Net gain (loss) from operations	<u>\$(1,368)</u>	<u>\$ (519)</u>	<u>\$ 1,354</u>	<u>\$ 667</u>	<u>\$(2,870)</u>

## **Reinsurance**

In 2013, the Company ceded 80% of its accident and health business, excluding disability income products, to its Parent pursuant to a quota share reinsurance treaty. The premium subject to this agreement excludes an amount fully retained by the Company to cover administrative expenses. This agreement was terminated effective January 1, 2014. The Parent was liable for all losses that were incurred prior to the effective date of termination provided that such losses were reported to the Company on or before June 30, 2014.

For the majority of groups, the Company cedes claims incurred on accidental death and dismemberment coverages and life claims in excess of \$200,000 on any individual life to unaffiliated companies. In addition, the Company cedes all of the risk for long-term disability coverage.

## **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, Surplus and Other Funds**  
**December 31, 2014**

**Assets**

Bonds	\$ 17,097,601
Cash, and short-term investments	<u>10,622,468</u>
Subtotal, cash and invested assets	27,720,069
Investment income due and accrued	221,981
Uncollected premiums in course of collection	2,149,703
Amounts recoverable from reinsurers	75,285
Amounts receivable relating to uninsured plans	1,105,360
Guaranty funds receivable or on deposit	1,448,560
Receivables from parent, subsidiaries and affiliates	3,498,629
Aggregate write-ins for other than invested assets	
Premium tax recoverable	<u>229,200</u>
Total Admitted Assets	<u>\$ 36,448,787</u>

**Liabilities, Surplus and Other Funds**

Aggregate reserve for life contracts	\$ 1,195,500
Aggregate reserve for accident and health contracts	877,000
Contract claims:	
Life	3,905,545
Accident and health	(50,000)
Premiums and annuity considerations for life and accident and health contracts received in advance	450,775
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	7,171,001
Other amounts payable on reinsurance	371,000
Commissions to agents due or accrued	140,100
General expenses due or accrued	330,629
Taxes, licenses, and fees due or accrued excluding federal income taxes	1,800,119
Current federal and foreign income taxes	284,969
Amounts withheld or retained by company as agent or trustee	1,683
Miscellaneous liabilities:	
Asset valuation reserve	32,087
Liability for amounts held under uninsured plans	47,395
Aggregate write ins for liabilities:	
Unclaimed funds	164,497
Other liabilities	<u>4,025</u>
Total Liabilities	<u>16,726,325</u>
Common capital stock	1,600,000
Gross paid in and contributed surplus	36,633,368
Unassigned funds (surplus)	<u>(18,510,906)</u>
Total Surplus	<u>19,722,462</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 36,448,787</u>

**Summary of Operations**  
**For the Year Ended December 31, 2014**

Premiums for life and accident and health contracts	\$ 25,914,233
Net investment income	257,584
Other income	<u>110,485</u>
Total premiums and other revenues	<u>26,282,302</u>
Death benefits	16,365,165
Disability benefits and benefits under accident and health contracts	5,460,665
Increase in aggregate reserves for life and accident and health contracts	<u>(39,500)</u>
Total benefits paid or provided	21,786,330
Commissions on premiums	1,779,052
General insurance expenses	2,457,345
Insurance taxes, licenses and fees, excluding federal income tax	620,937
Other expense	<u>107,510</u>
Total insurance expenses and other deductions	<u>26,751,174</u>
Net loss from operations before federal income taxes	<u>(468,872)</u>
Federal income taxes incurred	<u>899,604</u>
Net Income (Loss)	<u>\$ (1,368,476)</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus, prior year-end	\$ 19,671	\$ 12,948	\$ 18,348	\$ 13,631	\$ 14,903
Net income (loss)	(1,368)	1,204	(4,915)	(431)	(1,239)
Change in net deferred income tax	-	(156)	(423)	1,048	-
Change in non-admitted assets	538	682	105	(896)	(26)
Change in reserve on account of change in valuation basis	-	-	-	-	(2)
Change in asset valuation reserve	(5)	(7)	(7)	(4)	(5)
Cumulative effect of changes in accounting principles	-	-	(160)	-	-
Surplus paid in	708	5,000	-	5,000	-
Aggregate write-in for gains and losses					
Correction of error	<u>178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus	<u>51</u>	<u>6,723</u>	<u>(5,400)</u>	<u>4,717</u>	<u>(1,272)</u>
Capital and surplus, current year-end	<u>\$ 19,722</u>	<u>\$ 19,671</u>	<u>\$ 12,948</u>	<u>\$ 18,348</u>	<u>\$ 13,631</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 Reserves for Life and Accident and Health Contracts**

The Company's Board of Directors appointed John C. Lloyd, FSA, MAAA, Vice President, Optum, to render the Company's Statement of Actuarial Opinion ("Opinion").

The Department's actuaries, Peter Weber, ASA, MAAA, and Thomas Botsko, ACAS, MAAA, reviewed the detailed calculations for the life and accident and health and health reserves, respectively, as of December 31, 2014.

On the basis of the above mentioned analysis, it was determined that the aggregate reserves for life and accident and health contracts are adequate and consistent with requirement in Ohio law as of December 31, 2014.

### Conclusion

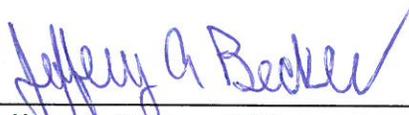
The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Admitted Assets	<u>\$ 36,448,787</u>
Liabilities	16,726,325
Surplus	<u>19,722,462</u>
Total Liabilities, Surplus and Other Funds	<u>\$ 36,448,787</u>

### Acknowledgement

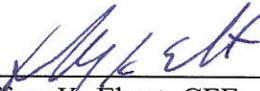
In addition to the aforementioned and undersigned, Kim Somogyi, AFE, CPA; Bryan Radecky, CFE, CPA; Methuselah Nyangoro, AES, CFE, CPA, of the Department, participated in this examination.

Respectfully,



---

Jeffery A. Becker, CFE  
Examiner-in-Charge  
Office of Risk Assessment  
Ohio Department of Insurance



---

Jeffrey K. Ebert, 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, 2014.

Jeffery A. Becker 5/12/16  
Examiner-in-Charge Date

State of Ohio  
County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, 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 12<sup>th</sup> day of May, 2016.

Darcy A. Moulin  
(Notary Public)

No expiration  
My Commission Expires

Jeffrey K. Ebert 5/12/2016  
Assistant Chief Examiner Date



Darcy A. Moulin  
Attorney At Law  
Notary Public, State of Ohio  
My commission has no expiration date  
Sec. 147.03 R.C.

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 12<sup>th</sup> day of May, 2016.

Darcy A. Moulin  
(Notary Public)

No expiration  
My Commission Expires



Darcy A. Moulin  
Attorney At Law  
Notary Public, State of Ohio  
My commission has no expiration date  
Sec. 147.03 R.C.