

# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Thomas R. Sullivan, Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of CONNECTICUT GENERAL LIFE INSURANCE COMPANY (the "Company") as of December 31, 2008, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

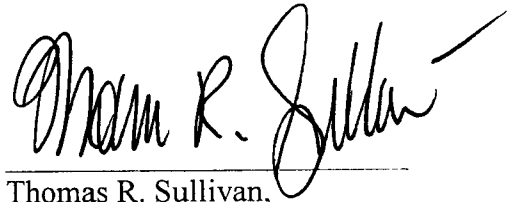
**TO WIT:**

1. I, Thomas R. Sullivan, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes;
2. CONNECTICUT GENERAL LIFE INSURANCE COMPANY ("Company") is a domestic insurer authorized to transact the business of insurance in the State of Connecticut;
3. On November 24, 2009, the verified Examination Report of CONNECTICUT GENERAL LIFE INSURANCE COMPANY ("Company") was filed with the Connecticut Insurance Department.
4. In accordance with Conn. Gen. Statutes §38a-14(e) (3), CONNECTICUT GENERAL LIFE INSURANCE COMPANY was afforded a period of thirty (30) days within which to submit to the Connecticut Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On December 31, 2009, the Company notified the Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.

**NOW, THEREFORE,** it is ordered as follows:

1. That the Examination Report of CONNECTICUT GENERAL LIFE INSURANCE COMPANY ("Company") hereby is adopted as filed with the Insurance Department.
2. That CONNECTICUT GENERAL LIFE INSURANCE COMPANY ("Company") shall comply with all of the recommendations set forth in the Report, and that CONNECTICUT GENERAL LIFE INSURANCE COMPANY ("Company") to so comply shall result in sanctions or administrative action as provided by Title 38a of the Connecticut General Statutes.

Dated at Hartford, Connecticut, this 29<sup>th</sup> day of December 2009.

A handwritten signature in black ink, appearing to read "Thomas R. Sullivan", written over a horizontal line.

Thomas R. Sullivan,  
Insurance Commissioner

**Exhibit A**

**EXAMINATION REPORT  
FOR THE  
ASSOCIATION EXAMINATION  
OF  
CONNECTICUT GENERAL LIFE INSURANCE COMPANY  
AS OF  
DECEMBER 31, 2008  
BY THE  
CONNECTICUT INSURANCE DEPARTMENT  
AND THE  
CALIFORNIA DEPARTMENT OF INSURANCE**

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# CONNECTICUT GENERAL LIFE INSURANCE COMPANY

## SCOPE OF EXAMINATION

The previous examination of the Company was conducted as of December 31, 2003. The current examination, which covers the subsequent five year period, was conducted under the association zone plan of the National Association of Insurance Commissioners (NAIC) at the Company's statutory home office. A zone call was issued through the NAIC's Exam Tracking System. The California Department of Insurance responded to and participated in the examination. The examination was conducted on a full scope comprehensive basis in accordance with the procedures outlined in the NAIC Financial Examiners Handbook (Handbook). A concurrent examination was also conducted on CIGNA Healthcare of Connecticut, Inc. (CHC-CT), an affiliated Connecticut domiciled insurance company which is a member of the CIGNA Group (the Group).

As a part of the examination planning procedures, the Financial Regulation Division of the Connecticut Insurance Department (the Division) reviewed the following documentation submitted by the Company:

1. Audit reports completed by the CPA firm retained by the Company.
2. Annual reports to shareholders.
3. Form 10-K reports filed with the Securities and Exchange Commission.
4. Annual statements filed with the Division.
5. Statements of actuarial opinion.
6. Reports of the Company's Internal Audit Department.

Workpapers prepared by the Company's independent public accountants, PricewaterhouseCoopers LLP (PWC), in connection with its annual statutory audit, were reviewed and relied upon to the extent deemed necessary. The review of PWC's audit reports indicated no material concerns with respect to financial condition or regulatory compliance issues.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Division as well as Examination Jumpstart and Financial Analysis and Solvency Tracking System reports obtained from the NAIC database.

The Division retained Lewis & Ellis, Inc, (L&E) to perform an analysis of reserve methodology, asset adequacy analyses and compliance with formula minimum reserve standards.

The Division retained INS Services, Inc. (INS) to perform a review of the Company's financially significant information systems (IS) general controls.

The Division retained Invotex Group (Invotex) to assist with the examination of the Company's investment strategies and initiatives. This included the evaluation of the adequacy of the Company's investment risk analysis and action plans and the review of

November 24, 2009

The Honorable Alfred W. Gross  
Financial Condition (E) Committee  
Commissioner  
Bureau of Insurance  
Commonwealth of Virginia  
P.O. Box 1157  
Richmond, VA 23218

The Honorable Paulette Thabault  
Secretary, Northeast Zone  
Insurance Commissioner  
Vermont Insurance Division  
89 Main Street  
Montpelier, VT 05620-3101

The Honorable Morris J. Chavez  
Secretary, Western Zone  
Superintendent  
Division of Insurance  
P.O. Drawer 1269  
Sante Fe, NM 87504-1269

The Honorable Thomas R. Sullivan  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street, 6th Floor  
Hartford, CT 06103

Dear Commissioners:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a Financial Examination of the condition and affairs of the:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

(hereinafter referred to as the Company or CGLIC), a capital stock corporation incorporated under the laws of the State of Connecticut and having its home office located at 900 Cottage Grove Road, Bloomfield, Connecticut. The report of such examination is submitted herewith.

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

the Company's processes and policies regarding valuation of derivatives and impairments.

### HISTORY

The Company operates under a charter granted by the General Assembly of the State of Connecticut on June 22, 1865. The Company was organized and commenced business in October 1865. On December 19, 1967, the Company became a wholly owned subsidiary of the Connecticut General Insurance Corporation (CGIC), a holding company chartered in 1967. In July, 1981, CGIC changed its name to Connecticut General Corporation (CGC).

On November 6, 1981, the respective Boards of Directors (Board) of CGC and INA Corporation (INA), an insurance holding company, approved a plan of merger. The merger was consummated on March 31, 1982, with the creation of CIGNA Corporation (CIGNA) as the ultimate parent company of CGC and INA. CIGNA Holdings, Inc. (CIGNA Holdings), a Delaware corporation, was established on November 3, 1982. On October 1, 1983, CGC became a direct subsidiary of CIGNA Holdings which in turn is wholly owned by CIGNA.

Effective March 31, 2004, the Company's group pension business, with the exception of structured settlements, was transferred to CIGNA Life Insurance Company (CIGNA Life), a Connecticut domiciled affiliate, through indemnity reinsurance and modified coinsurance arrangements. In connection with this transaction, CIGNA Life and the ceded group pension business was sold to Prudential Financial, Inc. (Prudential).

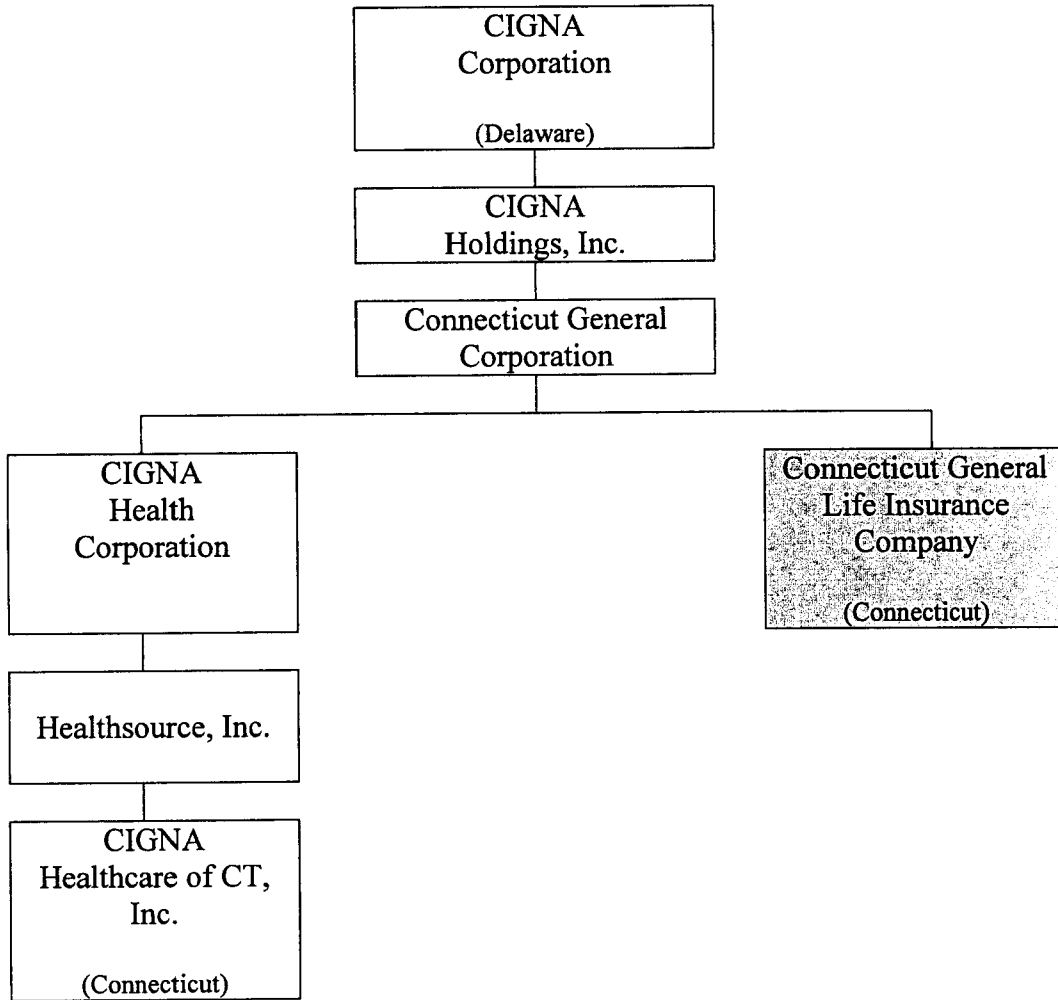
On April 1, 2008, the Company acquired the Healthcare division of Great-West Life and Annuity, Inc. (Great West) through a fully assumed indemnity reinsurance agreement. The Company also acquired Great West affiliates, ALTA Health and Life Insurance Company (Alta), Benefits Management Corporation, and various health maintenance organizations (HMO) domiciled in California, Illinois, Colorado and Texas.



# CONNECTICUT GENERAL LIFE INSURANCE COMPANY

## ORGANIZATIONAL CHART

The following is an organizational chart of the insurance holding company system at the end of the examination period:



## MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system as defined in Sections 38a-138.1 to 38a-138.1b of the Connecticut Insurance Regulations (Regulations) and Section 38a-135 of the CGS.

The bylaws of the Company require all meetings of the Stockholders to be held at any location as the directors may determine. The annual meeting of the Stockholders is held on any date and place that the directors may designate, with notice given to all stockholders at least 10 days prior to all meetings. The business conducted at the annual

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

meeting may include the election of directors, selection of independent auditors and any other business that may come before the meeting.

The bylaws provide that the property, business and affairs of the Company are to be managed by its Board. The Board may determine the number and terms of office of the directors, with no person elected after attaining 70 years of age. The Board may hold meetings at such times and places as they determine and special meetings may be called at any time by the Chairman, or by another director upon the written request of the president or at least three directors. All loans and purchases for investment require authorization or approval by the directors or by an authorized committee of the Board. A quorum is constituted by one third of the total number of existing directorships, with actions of the Board taken by majority vote of the directors present.

Directors serving the Company at December 31, 2008, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
David M. Cordani	President Connecticut General Life Insurance Company
Marcia A. Dall	Senior Vice President and Chief Financial Officer Connecticut General Life Insurance Company
Richard H. Forde	Senior Vice President Insurance and Investment Law, CIGNA Companies
Standley H. Hoch, III	Vice President and Actuary Connecticut General Life Insurance Company
Susan B. Hoffnagle	Board of Director and Investment Committee Connecticut General Life Insurance Company
Jeffrey L. Kang, M.D.	Senior Vice President HealthCare Division, CIGNA Companies
Mark A. Parsons	Senior Vice President HealthCare Division, CIGNA Companies
Edward Potanka	Assistant Secretary Legal and Public Affairs Division, CIGNA Companies
Frank Sataline, Jr.	Senior Vice President Financial Division, CIGNA Companies
Jeffrey M. Weinman	Vice President and Actuary, Investment Risk Management Financial Division, CIGNA Companies

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

### Committees

Pursuant to the corporate bylaws, the Company's business operations may be monitored through advisory committees approved by the Board. Committees appointed by the Board, including members at December 31, 2008, were as follows:

#### Executive Committee

Marcia A. Dall, Chairman  
Edward Potanka

#### Investment Committee

Richard H. Forde, Chairman  
Susan B. Hoffnagle  
Frank Sataline, Jr.  
Jeffrey M. Weinman

### Officers

At December 31, 2008, the Officers of the Company were as follows:

<u>Name</u>	<u>Title</u>
David M. Cordani	President
Marcia A. Dall	Senior Vice President and Chief Financial Officer
Barry R. McHale	Vice President and Treasurer
Shermona S. Mapp	Corporate Secretary
James Yablecki	Vice President and Actuary
Richard H. Forde	Senior Vice President
Robert F. Clark	Senior Vice President
Christopher J. Hocevar	Senior Vice President
Jeffrey L. Kang, M.D	Senior Vice President
Matthew G. Manders	Senior Vice President
Mark A. Parsons	Senior Vice President
Karen S. Rohan	Senior Vice President
Frank Sataline, Jr.	Senior Vice President
Sanjeev K. Srivastatva	Senior Vice President

## RELATED PARTY TRANSACTIONS

### Investment Management and Lending Agreements:

The Company and other affiliates entered into separate agreements with CIGNA Investments, Inc. (CII) and CIGNA International Investment Advisors, Ltd. (CIIA) to provide investment management and advisory services. The Company and other affiliates also entered into the CIGNA Corporate Liquidity Account agreement, an investment trust arrangement that is designed to maximize earnings on funds available for short-term investment. CII was designated as the Trust Administrator and Investment Manager with JP Morgan Bank as the trustee.

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

### Cost and Tax Allocation Agreement:

The Company and other affiliates entered into a cost allocation agreement whereby a fair and reasonable share of corporate expenses are allocated in accordance with customary insurance accounting practices. The Company is also a party to the Federal Income Tax Sharing Agreement executed between CIGNA and each affiliated company included in the consolidated federal income tax return. In general, the agreement requires the federal income tax liability of each affiliate to be computed on a separate company basis and settled periodically with CIGNA.

### Provider Network and Administrative Services Agreements:

International Rehabilitation Services, Inc. d/b/a INTRACORP provides rehabilitation, utilization review and medical bill review services to the Company.

The Company entered into an agreement with CIGNA Health Corporation (CHCP) and its affiliates for the provision of provider networks and other administrative services for group health benefit plans insured or administered by the Company.

The Company also entered into agreements with CIGNA Behavioral Health, Inc. (CBHI) to receive utilization review and other administrative services from CBHI in connection with group coverage for mental health and substance abuse. CBHI also develops provider networks and acts as the preferred or exclusive provider organization and administers fully insured contracts with employer groups under a third party administrative agreement.

The Company provides billing and collection services for CIGNA Dental Health, Inc. (CDH) pursuant to an administrative services agreement.

## INSURANCE COVERAGE

The Company is insured with affiliates on a primary fidelity bond policy providing \$20 million liability coverage. Excess fidelity bond coverage is provided by four carriers for \$85 million in coverage. The aggregate limit of liability provides fidelity coverage above the prescribed minimum set forth by the NAIC's schedule of suggested minimum amounts.

The Company, as a named insured on a series of master policies with its affiliates, maintains insurance coverage that includes: general liability; business automobile liability; workers' compensation; employers liability; fiduciary and pension trust liability; commercial umbrella; directors and officers liability; errors and omissions liability; computer crime; group travel; and commercial property. Premiums for insurance coverages are generally allocated to the insured subsidiaries in conjunction with the cost allocation arrangements for the companies being covered.

# CONNECTICUT GENERAL LIFE INSURANCE COMPANY

## TERRITORY AND PLAN OF OPERATION

### Licensing Information

The Certificate of Incorporation (Certificate), filed in the State of Connecticut with the Secretary of State authorizes the Company: to write life, endowments, annuities, accident and health (A&H) insurance and any other forms of insurance which any other corporation now or hereafter lawfully do; to accept and to cede reinsurance; to issue policies and contracts for any kinds or combinations of kinds of insurance; to issue policies or contracts either with or without participation in profits; to acquire and hold any or all of the shares or other securities of any insurance corporation; and to engage in any lawful act or activity for which corporations may be formed under the Connecticut Business Corporation Act. The Company is licensed to write life, A&H, annuity and deposit-type funds in all states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Canada and Taiwan.

### Plan of Operations

The Company's operations are managed under four divisions or segments that include Health Care (CHC), Group Insurance (Group), CIGNA International (International) and Reinsurance.

The CHC division offers group insured and self-funded medical, Medicare Part D, dental, behavioral, vision and pharmacy products and services to individual certificate holders covered by a group insurance contract. Health care products are offered through a variety of alternative funding provisions that include guaranteed cost managed care and traditional indemnity, retrospectively rated and administrative services only arrangements. The CHC division also provides stop-loss coverage to self-insured and experience rated employer sponsors for claims in excess of predetermined amounts.

The Group division offers term life, short and long term disability and accidental death and dismemberment insurance to participants under a group insurance contract. Group term life insurance may be employer paid basic or employee paid supplemental life insurance coverage. The Company no longer actively markets group universal life insurance and the majority of the disability products are written through an affiliate. The division also offers leveraged and non-leveraged corporate owned life insurance (COLI) to corporations to provide coverage on the lives of principal employees. The contracts are primarily non-participating universal life policies.

International provides individual life, accident and supplemental health insurance in Asia (South Korea, Hong Kong, Taiwan and China), Indonesia, New Zealand, Thailand and Europe (United Kingdom and Spain). The Latin American life insurance business is in run-off. Supplemental health coverage provides individual accident, accidental death, critical illness, hospitalization, cancer and other critical disease coverage. Health care, dental, vision, life, accidental death and dismemberment and disability products and insurance benefits are also provided to expatriate employees of multinational companies on international assignments.

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

### Discontinued Operations

In 1998, the Company sold all of its individual life insurance and annuity operations to Lincoln National Life Insurance Company (Lincoln) through an indemnity reinsurance agreement.

In 2004, the Company sold all of its retirement operations to Prudential through an indemnity reinsurance arrangement for general account liabilities and a modified coinsurance and indemnity reinsurance arrangement for the associated separate account liabilities.

### Marketing

The Company's group sales representatives distribute the indemnity and managed health care products and services through a diversified distribution network comprised of independent agents, national insurance brokers and benefit consultants employed by the Company. COLI products are sold primarily through a limited number of specialty brokers.

International's life, accident and supplemental health insurance products are distributed through direct marketing sources, while the health care products are distributed through independent brokers, consultants and employed sales personnel.

## REINSURANCE

The CIGNA Reinsurance Division, formerly a professional reinsurer of individual and group life and A&H products marketed through affiliated and non-affiliated insurance companies, ceased underwriting new reinsurance business as of June 1, 2000, and placed its reinsurance business into run-off. The run-off reinsurance business primarily consists of specialty life contracts, participation in workers' compensation pools and personal accident contracts assumed in the London market. The specialty life run-off operation reinsures the guaranteed minimum death benefit (GMDB) of variable annuity contracts issued by other insurance companies. The workers' compensation operations included participation in the pool formerly managed by Unicovert Managers, Inc. and other workers' compensation contracts. The Company's settlement annuity business is also in run-off.

### Assumed Reinsurance:

#### Life Insurance and Annuity:

The majority of the reserve liability represents the GMDB obligation in connection with variable annuity products written by four life and annuity insurance companies. The reinsurance contracts were written on a yearly renewable term and coinsurance basis. The Company also assumed group life premium on a quota share basis from two large national life insurance companies.

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

The Company also assumes the individual and group settlement annuity business, guaranteed cost products and experience rated plans from Life Insurance Company of North America (LINA), an affiliate.

### Accident and Health:

In 2008, the Company acquired the health business of Great West. The majority of the Company's group A&H assumed reinsurance premium relates to this acquisition completed through a reinsurance agreement with Great West.

The Company and certain subsidiaries of CHCP maintain a stop loss coverage reinsurance agreement. The Company reimburses participating CIGNA Healthplans (Healthplan) for 80% of the calendar year cost of hospital services incurred by any Healthplan member exceeding \$150,000 per member in the years 2007 and 2008, and for \$250,000 per member in the previous years.

### Ceded Reinsurance:

#### Life Insurance and Annuity:

In 1998, the Company sold all of its individual life insurance and annuity operations to Lincoln National Life Insurance Company (Lincoln) through an indemnity reinsurance agreement. Nearly all of the Company's ceded premium and reserve liability credit represents activity associated with provisions of the acquisition by Lincoln.

In 2004, the Company sold all of its retirement operations to Prudential. A large portion of the Company's ceded reserve liability credit represents activity associated with the provisions of the acquisition by Prudential.

#### Accident and Health:

The Company cedes substantially all of its group long-term disability business to LINA. Reserve credits taken in connection with the reinsurance agreement represented the majority of the Company's aggregate reserve credits taken.

The Company cedes substantially all of its group ex-patriot health business to CIGNA Global Reinsurance Company of Hamilton Bermuda. Ceded premium paid in connection with this reinsurance agreement represents the majority of the Company's ceded reinsurance premium.

### Unauthorized Reinsurance:

The Company has a retrocessional agreement (Agreement), effective August 1, 1998, with Liberty Re (Bermuda) Limited of Hamilton, Bermuda (Liberty Re), which is not an accredited reinsurer in the State of Connecticut. Article XV of the Agreement states that "Each year, retrocessionaire (Liberty Re) shall furnish the retrocedent an appropriate letter of credit in an amount equal to the retrocessionaires's share of the retrocedent's statutory reserves on the underlying contracts, including amounts for claims incurred but not reported, claims and incurred losses, and unearned premium reserves".

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

It was noted that Liberty Re had not furnished the Company with an appropriate letter of credit. Instead, the Company had accepted a Deed of Guarantee (Guarantee), effective December 27, 1999, from Liberty Mutual Insurance Company of Boston, Massachusetts and had used this Guarantee in lieu of a letter of credit from that time forward. The Agreement has not been amended to reflect this change, and the Division had never approved the use of this Guarantee.

The Company had used the Guarantee to offset \$320,909,234 in reserve credits and losses recoverable on Schedule S – Part 4 of the Company's 2008 Annual Statement.

According to SSAP No. 61, paragraph 43 of the NAIC Practices and Procedures Manual (Manual), when an assuming entity is not an authorized reinsurer, the ceding entity must record a net liability equal to any reserve credits and losses recoverable. In addition, SSAP No. 61, paragraph 44 of the Manual requires changes in liability for unauthorized reinsurance to be a direct charge or credit to surplus.

It is recommended that the Company obtain the proper collateral to support the reserve credit taken or record a net liability equal to reserve credits and losses recoverable, in accordance with SSAP No. 61 of the Manual.

### **Reinsurance Accounting:**

The Company did not use deposit accounting to account for and record transactions involving reinsurance contracts that do not provide for sufficient transfer of risk, as required by SSAP No. 61, paragraph 51 of the Manual.

The Company has a contract with an insured corporation to provide group life and accident insurance for its employees. The Company has reinsurance agreements with North Carolina Mutual Life Insurance Company and Golden State Mutual Life Insurance Company that cede 0.5% of this risk to each reinsurer. A review of the reinsurance settlements between the Company and these reinsurers noted that, except for an annual fixed fee of \$720.00 charged to each reinsurer, the settlement amount was always \$0. A review of the "Case Earnings Report" for this period indicated that the \$0 settlement was the result of a breakeven expense amount, due to experience rating, that was used to offset the quarterly premiums, paid claims, reserves and interest charges.

A review of the experience rating agreement between the Company and the insured indicated that the Company performs a calculation each year based upon premium and loss experience for the prior plan year. Positive balances are returned to the insured and deficit balances are recovered by the Company. The Company has no financial risk and therefore has no transfer of risk to these reinsurers.

According to SSAP 61, paragraphs 17 and 18 of the Manual, reinsurance agreements must transfer risk from the ceding entity to the assuming reinsurer in order to receive reinsurance accounting treatment. It is recommended that the Company use deposit accounting to account for and record transactions involving reinsurance contracts that do not provide for sufficient transfer of risk, in accordance with SSAP No. 61 of the Manual.



## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

### INFORMATION SYSTEMS AND CONTROLS

An evaluation of IS controls was conducted to gain familiarity with the existing controls, policies and procedures established by the IS area. The Division engaged INS to evaluate the Company's responses to the Handbook's IS Controls Questionnaire (ISQ) and test the Company's IS control environment to assess the degree of reliance that should be placed on internal controls and to establish the appropriate approach to the examination of the Company's financial records.

The evaluation of IS controls was performed over the Company's financially significant systems and focused on the following areas: management control; organizational control; changes to applications; system and program development; operations; processing; documentation; logical and physical security; contingency planning; local area networks (LAN); personal computers; wide area networks; and internet controls.

Based on the review of the ISQ and through inquiries and observations of Company information technology personnel and tests of key IS controls, an overall high reliance on IS controls was determined.

### ACCOUNTS AND RECORDS

Financial accounting records are processed and maintained through the Oracle corporate general ledger system. Oracle is a nationally recognized software application developed by an external vendor. The system maintains the Company's financial accounting records and supports all statutory reporting and accounting requirements processed and maintained through the Company's general ledger system. General ledger account balances were reconciled and traced to appropriate asset, liability and income statement balances on the annual statements.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

FINANCIAL STATEMENTS

The following statements reflect the assets, liabilities, surplus and other funds, and summary of operations of the Company as of December 31, 2008, as reported by the Company and as determined by the examination:

ASSETS

Account Description	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$5,413,954,120		\$5,413,954,120
Preferred stocks	31,121,577		31,121,577
Common stocks	145,025,344		145,025,344
Mortgage loans on real estate:			
First liens	2,363,073,862		2,363,073,862
Other than first liens	15,577,452		15,577,452
Real estate:			
Properties occupied by the company	111,683,538		111,683,538
Properties held for production of income	17,379,383		17,379,383
Cash, cash equivalents and short-term investments	744,096,272		744,096,272
Contract loans	1,496,186,798		1,496,186,798
Other invested assets	568,284,147	\$1,028,378	567,255,769
Receivable for securities	4,451,422	74,844	4,376,578
Aggregate write-ins for invested assets	10,696,118		10,696,118
Investment income due and accrued	125,281,257		125,281,257
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	539,319,202	27,254,438	512,064,764
Accrued retrospective premium	27,972,972	545,754	27,427,218
Reinsurance:			
Amounts recoverable from reinsurers	46,836,680		46,836,680
Funds held by or deposited with reinsured companies	6,304,843		6,304,843
Other amounts receivable under reinsurance contracts	21,906,244		21,906,244
Amounts receivable relating to uninsured plans	291,735,040	22,892,075	268,842,965
Current federal and foreign income tax recoverable and interest thereon	168,473,840		168,473,840
Net deferred tax asset	1,162,596,629	786,919,156	375,677,473
Guaranty funds receivable or on deposit	4,412,644		4,412,644
Electronic data processing equipment and software	415,870,797	375,300,691	40,570,106
Furniture and equipment, including health care delivery assets	130,198,365	130,198,365	0
Receivable from parent, subsidiaries and affiliates	207,601,726		207,601,726
Health care and other amounts receivable	72,904,222	619,408	72,284,814
Aggregate write-ins for other than invested assets	1,197,175,009	1,177,520,642	19,654,367
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	\$15,340,119,503	\$2,522,353,751	\$12,817,765,752
From Separate Accounts, Segregated Accounts and Protected Cell Accounts	4,915,355,094		4,915,355,094
<b>Total</b>	<b>\$20,255,474,597</b>	<b>\$2,522,353,751</b>	<b>\$17,733,120,846</b>

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$7,058,926,466
Aggregate reserve for accident and health contracts	157,454,462
Liability for deposit-type contracts	552,379,223
Contract claims:	
Life	205,006,283
Accident and health	706,114,025
Premiums and annuity considerations for life and accident and health contracts received in advance	36,429,350
Contract liabilities not included elsewhere:	
Provision for experience rating refunds	281,663,841
Other amounts payable on reinsurance	46,306,002
Interest maintenance reserve	25,121,022
Commissions to agents due or accrued	17,267,416
Commissions and expense allowances payable on reinsurance assumed	1,742,595
General expenses due or accrued	643,532,817
Transfers to Separate Accounts due or accrued	(21,236)
Taxes, licenses and fees due or accrued	53,910,197
Amounts withheld or retained by company as agent or trustee	36,634,573
Remittances and items not allocated	142,143,517
Net adjustment in assets and liabilities due to foreign exchange rates	4,646,548
Miscellaneous liabilities:	
Asset valuation reserve	316,041,741
Reinsurance in unauthorized companies	41,986,575
Funds held under reinsurance treaties with unauthorized reinsurers	82,243,421
Payable to parent, subsidiaries and affiliates	207,054,656
Liability for amounts held under uninsured plans	155,286,263
Funds held under coinsurance	261,251
Payable for securities	6,645,760
Aggregate write-ins for liabilities	59,816,828
Total liabilities excluding Separate Accounts business	10,838,593,596
From Separate Accounts Statement	4,864,299,106
Total Liabilities	15,702,892,702
Common capital stock	29,891,610
Gross paid in and contributed surplus	2,005,932,389
Unassigned funds	(5,595,855)
Surplus	2,000,336,534
Total surplus and other funds	2,030,228,144
Total liabilities and surplus	<u>\$17,733,120,846</u>

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$6,979,282,295
Considerations for supplementary contracts with life contingencies	38,097,272
Net investment income	678,265,970
Amortization of interest maintenance reserve (IMR)	(4,100,537)
Separate Accounts net gain from operations	18,916,546
Commissions and expense allowances on reinsurance ceded	110,629,558
Reserve adjustments on reinsurance ceded	(758,129)
Miscellaneous income:	
Income from fees associated with investment management, administration and contract guarantees from Separate Accounts	29,929,677
Charges and fees for deposit-type contracts	44,721
Aggregate write-ins for miscellaneous income	358,986,832
Total	8,209,294,205
Death benefits	468,708,196
Annuity benefits	236,250,724
Disability benefits and benefits under accident and health contracts	5,393,160,334
Surrender benefits and withdrawals for life contracts	172,539,001
Group conversions	3,647,440
Interest and adjustments on contracts or deposit-type contract funds	22,911,206
Payments on supplementary contracts with life contingencies	122,430,339
Increase in aggregate reserves for life and accident and health contracts	1,084,435,372
Totals	7,504,082,612
Commissions on premiums, annuity considerations and deposit-type contract funds	254,176,955
Commissions and expense allowances on reinsurance assumed	26,342,572
General insurance expenses	306,198,702
Insurance taxes, licenses and fees, excluding federal income taxes	224,464,207
Increase in loading on deferred and uncollected premiums	(523,525)
Net transfers to or (from) Separate Accounts net of reinsurance	(122,527,015)
Aggregate write-ins for deductions	7,819,161
Totals	8,200,033,669
Net gain from operations before dividends to policyholders and federal income taxes	9,260,536
Dividends to policyholders	1,650,957
Net gain from operations after dividends to policyholders and before federal income taxes	7,609,579
Federal and foreign income taxes incurred	3,907,711
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	3,701,868
Net realized capital gains or (losses) less capital gains tax	(2,723,610)
Net income	<u>\$978,258</u>

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

Capital and surplus, December 31, prior year	\$1,897,089,754
Net income	978,258
Change in net unrealized capital gains or (losses)	23,015,815
Change in net unrealized foreign exchange capital gain (loss)	(3,603,348)
Change in net deferred income tax	502,389,873
Change in non-admitted assets	(1,705,330,642)
Change in liability for reinsurance in unauthorized companies	(38,314,841)
Change in reserve on account of change in valuation basis	33,542,080
Change in asset valuation reserve	(42,146,590)
Surplus (contributed to) withdrawn from Separate Accounts during period	42,150,877
Other changes in surplus in Separate Accounts Statement	(42,150,877)
Cumulative effect of changes in accounting principles	(263,385)
Surplus adjustment:	
Paid in	1,416,872,148
Transferred to capital (Stock Dividend)	(32,810,828)
Dividends to stockholders	(21,190,150)
Net change in capital and surplus for the year	133,138,390
Capital and surplus, December 31, current year	<u>\$2,030,228,144</u>

INVESTMENTS

The Division engaged Invotex to examine the Company's investment and general risk management practices.

The scope of the review is outlined below:

- Review and assess investment policy guidelines.
- Review and assess investment strategies and initiatives.
- Assess business objectives and identify critical success factors.
- Review and assess investment result measurement and communicate those results to senior management and the Board.

The focus of Invotex's review and analysis included the following risk areas:

- Asset pricing and fair value determination.
- Other-than-temporary impairment (OTTI) determinations.
- Commercial mortgage backed securities (CMBS) and other securitized assets.
- Derivative investment and hedge programs.
- Mortgage loans and collateralized real estate.
- Private placement program.
- Credit default swap (CDS) portfolio.
- Liquidity and funding risks.

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

Invotex's approach to conducting the risk review included the following:

- Reviewed investment policy and guideline documentation.
- Reviewed investment strategy documentation for a sample of product lines.
- Reviewed audited statutory financial statements as of December 31, 2008.
- Interviewed key senior staff.
- Reviewed Cigna Investment Management (CIM) monthly operating reports (MOR).
- Reviewed CIM 2008-2009 operating plan and key priorities.
- Reviewed CIM annual incentive plan.
- Analyzed investment portfolio by asset class, bond type, credit ratings and other similar characteristics.
- Reviewed derivative program and counterparty exposure reports.
- Reviewed commercial mortgage loan portfolio review report, dated September 8, 2008.
- Reviewed fourth quarter 2008 and first quarter 2009 problem asset and impairment review meeting materials, including bond underwater report, underwater securities loan review memo and quarterly problem bond report.
- Reviewed commercial mortgage problem loan watchlist reports as of December 31, 2008, and June 30, 2009.
- Reviewed accounting policy on OTTI.
- Reviewed documentation of valuation policies and methodology for each asset class.
- Reviewed Company analysis of GMDB policy in-force and exposures.
- Reviewed derivatives use plan quarterly program review materials provided to the Investment Committee for the fourth quarter 2008.

The Company's investment strategy appears to be fundamentally sound and portfolio strategies exist at the product level, which clearly recognize the product liability and liquidity needs. The Company employs numerous reports used to manage investment risk and performance and analyzes investment performance relative to plan. Internal committees and senior management review forums' focus on risk management and provides for a disciplined impairment review process. The Company's hedging program also appears to be effectively hedging the exposure to changes in the GMDB liability due to stock market and foreign currency fluctuation.

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

<u>AGGREGATE RESERVE FOR LIFE CONTRACTS</u>	<u>\$7,058,926,466</u>
<u>AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS</u>	<u>\$157,454,462</u>
<u>LIABILITIES FOR DEPOSIT-TYPE CONTRACTS</u>	<u>\$552,379,223</u>
<u>CONTRACT CLAIMS:</u>	
<u>LIFE</u>	<u>\$205,006,283</u>
<u>ACCIDENT AND HEALTH</u>	<u>\$706,114,025</u>

The Division retained L&E to verify the accuracy and theoretical correctness of reserve calculations and to review the asset adequacy analysis performed by the appointed actuary as of December 31, 2008.

### Formula Reserves-Scope

Independent actuarial tests of the Company's primary lines of business was conducted to determine whether the Company's reserves are established in accordance with minimum standards for the valuation of liabilities specified in the Connecticut Standard Valuation Law, Actuarial Guidelines and applicable Actuarial Standards of Practice. In performing the reserve review and analysis, L&E conducted the following tests:

- Reviewed and analyzed statutory annual statements for 2008 and other recent years covered under the examination period.
- Reviewed responses to interviews conducted with and information and supporting data provided by the Company's valuation and line of business actuaries relevant to the reserve analysis.
- Reviewed and analyzed the Company's actuarial reserve methods and assumptions, and conducted trend and detailed analysis supporting the December 31, 2008, reserves by major product grouping.
- Reviewed experience study information compiled and provided by the Company in support of the major assumptions used in the asset adequacy analysis.
- Analyzed the Company's Annual Statement Schedule H and O adequacy analysis for significant lines of group A&H coverages including waiver of premium and long term disability (LTD). This included analysis of claims in course of settlement and incurred but unreported claims.
- Reviewed and analyzed the Company's Statement of Actuarial Opinion including the Actuarial Memorandum for 2008 and other years covered under the examination period.

### Reinsurance Agreements-Scope

A review of key reinsurance treaties and other related Company descriptions of its significant assumed and ceded reinsurance agreements was performed and compared to Schedule S of the Annual Statement. The review also included an evaluation of reinsurance reserve implications. Reinsurance agreements providing significant coverage and material reserve credits were evaluated to ensure compliance with the Regulations and risk transfer requirements.

## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

### Asset Adequacy-Scope

The appropriateness of the assumptions and methods used to project asset and liability cash flows by major line of business was independently analyzed and validated to ensure assets supporting the Company's reserves are adequate based on various environmental scenarios. In performing the asset adequacy analysis, L&E conducted the following tests:

- Reconciled assets and liabilities to the Annual Statement.
- Reviewed and analyzed material liabilities in relation to contract provisions that impact future liability cash flows.
- Reviewed material asset types, changes in the mix and structure and the employment of derivatives instruments.
- Reviewed and analyzed recent assets purchases by type, maturity and quality for each product line.
- Reviewed pro-forma income statements, balance sheets and net cash flows resulting from the projection of assets and liabilities.
- Reviewed experience studies and unit expense analysis supporting the lapse, mortality, partial withdrawal, morbidity and expense assumptions used in the asset adequacy analysis.
- Reviewed testing methodology including the interaction of assets and liabilities.

### Formula Reserve Analysis

Based on the review of the Company's formula reserves as outlined above, it was determined that the reserve liabilities are reasonably stated as of December 31, 2008, and are in compliance with the applicable provisions of the CGS, Regulations and Actuarial Guidelines.

COMMON CAPITAL STOCK \$29,891,610

Common capital stock of the Company consists of 5,978,322 shares, authorized, issued and outstanding, with a par value of \$5 per share. All shares are owned by CGC.

The Division approved the following dividends that the Company paid to its parent during the examination period:

<u>Dividend Type</u>	<u>Form</u>	<u>Year Paid</u>	<u>Amount</u>
Ordinary	Cash	2004	\$330,926,823
Ordinary	Cash	2005	\$746,400,000
Extraordinary	Cash	2005	\$111,000,000
Ordinary	Cash	2006	\$707,000,000
Extraordinary	Cash	2006	\$664,500,000
Ordinary	Cash	2007	\$532,000,000
Ordinary	Stock	2008	\$32,810,828



## CONNECTICUT GENERAL LIFE INSURANCE COMPANY

### GROSS PAID-IN AND CONTRIBUTED SURPLUS

\$2,005,932,389

The following exhibit reflects the balance of this account during the five year period under review:

2004	\$310,993,475
2005	\$310,993,474
2006	\$610,663,688
2007	\$622,374,453

During 2006, the Company determined that certain stock option grants under equity compensation plans sponsored by CIGNA required variable rather than fixed accounting treatment under SSAP No. 13 of the Manual, "Stock Options and Stock Purchase Plans". As a result of this change in accounting treatment, the cumulative effect of the change in accounting principle reflected a significant increase to the captioned account. The increase in 2008 was primarily attributed to the acquisition of Great West which was financed through a capital contribution from CSC.

### UNASSIGNED FUNDS (SURPLUS)

\$(5,595,855)

The following exhibit reflects the balance of this account during the five year period under review:

2004	\$2,089,801,130
2005	\$1,968,195,126
2006	\$1,349,606,674
2007	\$1,244,823,690

The decrease in 2008 was primarily attributable to an increase in nonadmitted "intangible" assets due to the acquisition of Great West.

### SEPARATE ACCOUNTS

Under the authority granted by Section 38a-459 of the CGS, the Company has established separate accounts to which it allocates certain amounts received under variable and fixed immediate and deferred annuities, variable universal life contracts, supplemental life benefits and survivor income benefits. As compensation, the Company receives a management fee based on an agreed upon percentage of the assets under management.

In connection with the sale of its retirement benefit business to Prudential, separate account assets were transferred to Prudential under a modified coinsurance arrangement. These separate account assets and liabilities, guaranteed by the Company and fully reinsured by Prudential, are excluded from the separate accounts.

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

The financial statement of the separate accounts as of December 31, 2008, was as follows:

ASSETS

Account Description	General Account Basis	Fair Value Basis	Total
Bonds	\$1,004,640,409	\$1,036,517,680	\$2,041,158,089
Preferred stocks	7,136,436	11,067,702	18,204,138
Common stocks		1,620,319,606	1,620,319,606
Mortgage loans on real estate	322,678,668		322,678,668
Cash and cash equivalents	1,719,890	54,418,545	56,138,435
Short-term investments	20,775,907	358,591,361	379,367,268
Other invested assets	2,299	406,898,446	406,900,745
Aggregate write-ins for invested assets	3,080,215	25,964,873	29,045,088
Subtotals-Cash and invested assets	1,360,033,824	3,513,778,213	4,873,812,037
Investment income due and accrued	15,039,916	10,162,475	25,202,391
Receivable for securities	699,418	14,097,950	14,797,368
Aggregate write-ins for other than invested assets	755	1,542,544	1,543,298
<b>Total</b>	<b><u>\$1,375,773,913</u></b>	<b><u>\$3,539,581,182</u></b>	<b><u>\$4,915,355,094</u></b>

LIABILITIES AND SURPLUS

Account Description	General Account Basis	Fair Value Basis	Total
Aggregate reserve for life, annuity and accident and health contracts	\$1,332,883,457	\$2,428,988,072	\$3,761,871,529
Liability for deposit-type contracts		759,787,399	759,787,399
Interest maintenance reserve	(12,993,153)		(12,993,153)
Other transfers to general account due or accrued		47,571	47,571
Remittances and items not allocated	3,603,038	2,877,137	6,480,175
Payable for securities	1,264,508	118,567,322	119,831,830
Aggregate write-ins for liabilities		229,273,755	229,273,755
Total Liabilities	1,324,757,850	3,539,541,256	4,864,299,106
Contributed surplus		65,697,050	65,697,050
Unassigned funds	51,016,063	(65,657,125)	(14,641,062)
Surplus	51,016,063	39,925	51,055,988
<b>Totals</b>	<b><u>\$1,375,773,913</u></b>	<b><u>\$3,539,581,181</u></b>	<b><u>\$4,915,355,094</u></b>

# CONNECTICUT GENERAL LIFE INSURANCE COMPANY

## RECOMMENDATIONS

### Page

- 10 Unauthorized Reinsurance  
It is recommended that the Company obtain the proper collateral to support the reserve credit taken or record a net liability equal to reserve credits and losses recoverable, in accordance with SSAP No. 61 of the Manual.
- 11 Reinsurance Accounting  
It is recommended that the Company use deposit accounting to account for and record transactions involving reinsurance contracts that do not provide for sufficient transfer of risk, in accordance with SSAP No. 61 of the Manual.

## CONCLUSION

The results of this examination disclosed that, as of December 31, 2008, the Company had admitted assets of \$17,733,120,846, liabilities of \$15,702,892,702, and surplus of \$2,000,336,534. During the period under examination, admitted assets decreased \$51,801,704,129, liabilities decreased \$50,972,927,791, and surplus as regards policyholders decreased \$828,776,337.

It was determined that the Company's assets were fairly stated in accordance with guidance outlined in the Manual. Assets were acceptable under Section 38a-102 of the CGS. The liabilities established were adequate to cover the Company's obligations to policyholders.

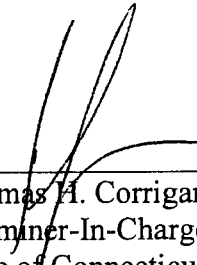
CONNECTICUT GENERAL LIFE INSURANCE COMPANY

SIGNATURES

In addition to the undersigned, the following members of the State of Connecticut Insurance Department participated in the examination: William Arfanis, CFE; Cecilia Arnold, AFE; Ronald Jankoski, CFE; Grace Jiang, CFE; Kent Krajick, CFE; Daniel Levine, CPA; Donna Nowakowski, AFE; Kenneth Roulier, AFE, AES, CISA; William Tacy, CFE, CISA; the consulting firms of INS and Invotex; and the actuarial firm of L&E. Joe Torres, CFE, representing the State of California Department of Insurance also participated in the examination as a zone representative.

We, Thomas H. Corrigan, CFE, and Joe Torres, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2008, to the best of our information, knowledge and belief.

Respectfully submitted,

  
\_\_\_\_\_  
Thomas H. Corrigan, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford


Subscribed and sworn to before me, Nancy M. Mercier  
Notary Public on this 23<sup>rd</sup> day of November, 2009.

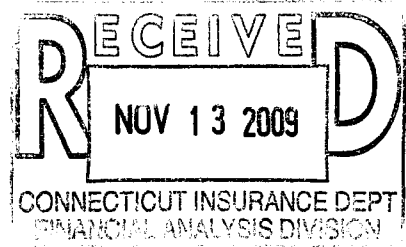
Nancy M. Mercier  
Notary Public

My Commission Expires 6/30/2010

CONNECTICUT GENERAL LIFE INSURANCE COMPANY

Respectfully submitted,

  
Joe Torres, CFE  
State of California  
Department of Insurance



State of Connecticut

ss. Stamford

County of Fairfield

Subscribed and sworn to before me, Lorraine Coccola  
Notary Public on this 12th day of November 2009.

  
\_\_\_\_\_  
Notary Public

My Commission Expires LORRAINE COCCOLA  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES NOVEMBER 30, 2012