



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of **CIGNA ARBOR LIFE INSURANCE COMPANY** (the "Company") as of December 31, 2018, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

TO WIT:

1. I, Andrew N. Mais, 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 ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 1, 2020, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On May 27, 2020, the Company notified the Insurance 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 Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.
3. **Section 38a-14(e)(4)(A) of the CGS requires that:**

“The secretary of the board of directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the commissioner, in writing, that a copy of the report or summary has been provided to each director.”

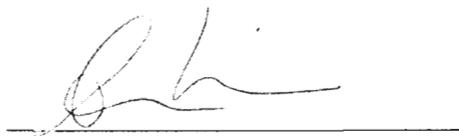
Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Supervising Examiner, of the Financial Regulation Division.

4. **Section 38a-14(e)(4)(B) of the CGS requires that:**

“Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report or summary to the entity's board of directors or similar governing body at a regular or special meeting.”

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 3rd day of June, 2020.



Andrew N. Mais
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF THE

**CIGNA ARBOR LIFE INSURANCE COMPANY
(NAIC# 13733)**

AS OF

DECEMBER 31, 2018

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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May 1, 2020

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner:

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:

CIGNA ARBOR LIFE INSURANCE COMPANY

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

SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2013. The current examination, which covers the subsequent five year period through December 31, 2018, was conducted at the Company's statutory home office in Bloomfield, CT.

The current examination was conducted as part of a multi-state examination, in which the Department served as the lead state. As the lead state, the Department coordinated the examination of Cigna entities comprised of seven subgroups of thirty-seven (37) regulated entities, domiciled in seventeen (17) states (the Group). The coordinated examination not only provided information on each insurer individually but also provided a structure for regulators to understand and evaluate risks of the companies within the holding company as a whole.

The other Connecticut domiciled entities examined concurrently were: Connecticut General Life Insurance Company (CGLIC), Cigna Health and Life Insurance Company (CHLIC) and Cigna HealthCare of Connecticut, Inc. (CHCCT).

As a part of the examination planning procedures, the Department reviewed the following documentation submitted by the Company for the period under examination:

- Board of Director (Board) and other committee minutes (through the latest 2019 minutes);
- statutory audit reports completed by the Company's independent certified public accountants, PricewaterhouseCoopers, LLC (PwC);

CIGNA ARBOR LIFE INSURANCE COMPANY

- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;
- documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002 (SOX);
- Form 10-K reports filed with the Securities and Exchange Commission;
- Annual Statements filed with the Department; and
- reports of the Internal Audit Department (IA).

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, as well as the independent audit reports, all of which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Work papers prepared by PwC, as of December 31, 2018, in connection with its annual statutory audits were reviewed and relied upon to the extent deemed appropriate.

Lewis and Ellis, Inc. (L&E) was engaged by the Department to assist in the review of the Group's reserving, pricing and underwriting, and reinsurance risks. L&E also reviewed certain aspects of the Patient Protection and Affordable Care Act (ACA).

Noble Consulting, Inc. (Noble) was engaged by the Department to assist in the review of the Group's information technology (IT) general controls.

JP Consulting (JPC) was engaged by the Department to assist in the review of the Group's investment risks.

Risk and Regulatory Consulting, LLC (RRC) was engaged by the Department to perform a review of the Group's commercial medical loss ratio.

The examination was conducted on a full scope, comprehensive basis in accordance with the procedures outlined in the NAIC Financial Condition Examiners Handbook (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying inherent risks within the Company and evaluating 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 compliance with the NAIC Accounting Practices & Procedures Manual and the NAIC Annual Statement Instructions.

The examination considered prospective risks, those risks that existed at the balance sheet date that will impact future operations or risks associated with future business plans of the Company. Examination procedures were performed as deemed appropriate to evidence actions that the Company had taken to mitigate these risks.

All accounts and activities of the Company were considered in accordance with the risk focused examination process.

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Comments in this examination report are generally limited to exceptions noted or to items considered to be of a material nature.

Failure of items in the report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

Arbor Reinsurance Co. Limited (Arbor Re), established as an insurer in 2002 under Bermuda law, served as a retrocessionaire of a closed book of certain variable annuity benefits written by third party insurers and reinsured by CGLIC. CGLIC business was retroceded to Arbor Re in 2002 and soon after was recaptured. CALIC, an Arbor Re affiliate, was formed on October 8, 2009, solely for purposes of facilitating a merger with Arbor Re. On December 29, 2009, CALIC became licensed to conduct reinsurance business as a Connecticut domestic life insurance company. On December 31, 2009, Arbor Re merged with and into CALIC. CALIC's only business operation was to act as a retrocessionaire for a closed book of mortality risks associated with certain closed books of reinsured variable annuity benefits from CGLIC. On January 1, 2011, the Company entered into an agreement to reinsure 100% of the retained guaranteed minimum death benefits and guaranteed minimum income benefits business from CGLIC. The agreement was terminated and recaptured effective February 3, 2013. Following the recapture transaction, there is no remaining business in the Company.

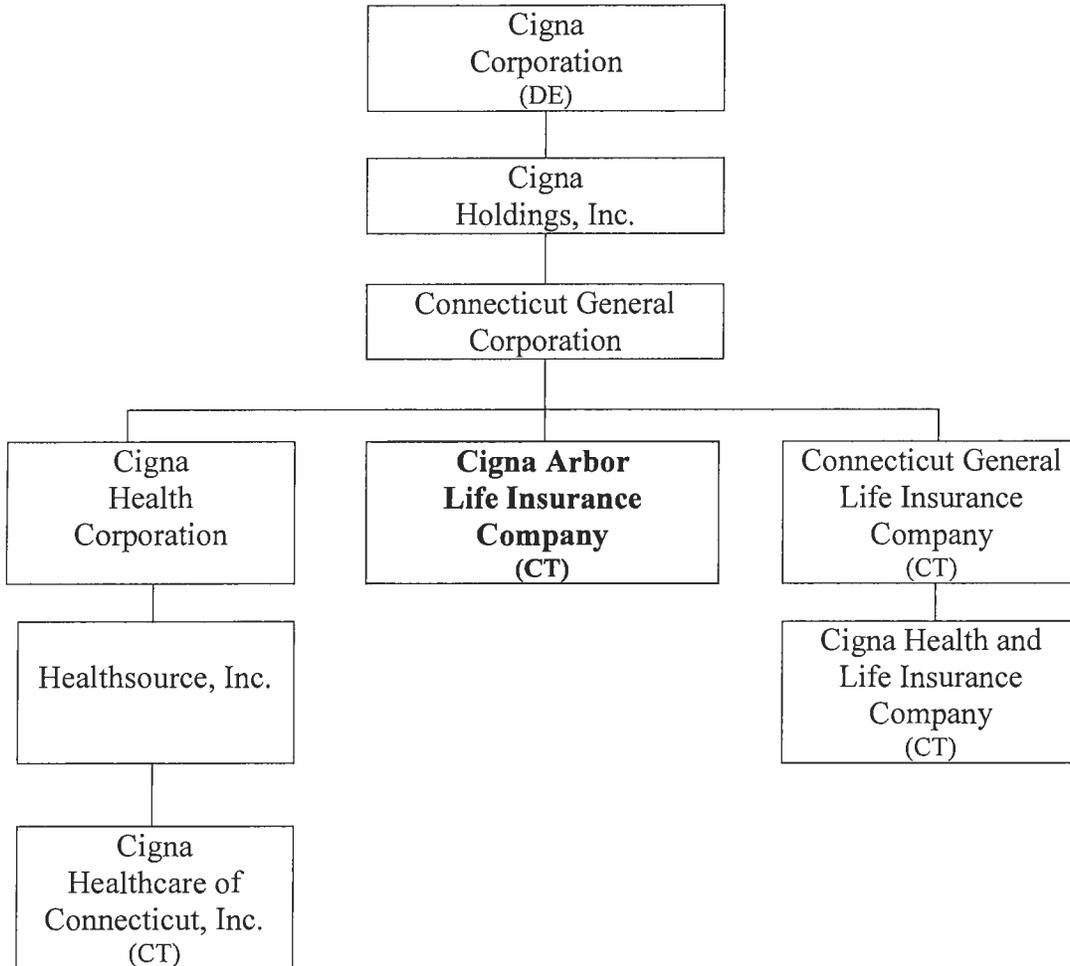
On December 20, 2018, the Company's ultimate parent entity, Cigna, acquired Express Scripts Holding Company in a cash and stock transaction valued at \$52.8 billion.

CALIC is a wholly-owned subsidiary of Connecticut General Corporation (CGC), which is an indirect wholly-owned subsidiary of Cigna Corporation (Cigna).

CIGNA ARBOR LIFE INSURANCE COMPANY

ORGANIZATIONAL CHART

A partial organizational chart of the insurance holding company system at the end of the examination period is as follows:



MANAGEMENT AND CONTROL

The bylaws of the Company require the meetings of the shareholders, including the annual meeting, for the election of directors or for any other purpose be held at any place and time, within or outside the state of Connecticut as designated from time to time by the Board. Special meetings of the shareholders, for any purpose, may be called by the chairman, the president, any vice president, the secretary, any assistant secretary, or any officer at the request in writing to the Board or shareholders owning at least ten percent of all votes entitled to be cast on any issue proposed at the special meeting of the shareholders. A quorum for the transaction of business shall represent a majority of the Company's capital stock issued and outstanding and entitled to vote, present in person or by proxy.

CIGNA ARBOR LIFE INSURANCE COMPANY

The bylaws provide that the property, business and affairs of the Company be managed by its Board. The number of directors shall consist of not less than five nor more than twelve members. The Board and any committee may hold regular meetings, either within or outside the state of Connecticut without notice at such time and place as from time to time be determined by the Board or any committee. Special meetings of the Board may be called by the chairman, the president, or any director. A majority of the entire Board, or a majority of the directors constituting such committee, shall constitute a quorum for the transaction of business, and the majority of the directors or committee members present at any meeting shall constitute a quorum of the acts of such Board or committee.

Directors serving the Company at December 31, 2018, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Mark A. Parsons	Senior Vice President, Audit, Reinsurance and Corporate-Owned Life Insurance, Cigna
Scott D. Schneider	Operations Managing Director, Cigna
David A. Russell	Actuarial Managing Director, Cigna
James Yablecki	Actuarial Managing Director, Cigna
Timothy D. Buckley	Senior Vice President, Treasury, Cigna

Officers serving the Company at December 31, 2018, were as follows:

<u>Name</u>	<u>Title</u>
Mark A. Parsons	President
Scott R. Lambert	Treasurer
Anna Krishtul	Secretary
Scott D. Schneider	Vice President and Actuary
Mark A. Ryan	Vice President and Assistant Treasurer
Mark P. Fleming	Vice President and Assistant Treasurer

RELATED PARTY TRANSACTIONS

The Company is a party to numerous related party transaction agreements. The significant agreements are as follows:

Expense Sharing Agreement

Effective December 31, 2009, the Company entered into an agreement in which the Company and affiliated companies share expenses for certain shared services.

Investment Management Agreement

Effective December 29, 2009, the Company entered into an agreement with Cigna Investments, Inc. (CII) to provide investment management and advisory services.

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Investment Pooling Agreement

The Company and CII, and approximately 30 Cigna affiliates are parties to an amended and restated investment pooling agreement, which provides for participation in a pool of short-term investments for cash management.

Administrative Services Agreement

The Company is party to an administrative service agreement, effective December 29, 2009, with CGLIC, whereby CGLIC provides all services as necessary to support the Company's reinsurance business.

Consolidated Federal Income Tax Agreement (Tax Agreement)

The Company is included in the consolidated federal income tax return filed by Cigna, pursuant to the amended and restated Tax Agreement. Federal income taxes are allocated to the Company as if it were filing on a separate return basis.

Line of Credit Agreement (LOC Agreement)

Effective January 1, 2011, a LOC Agreement between the Company and Cigna Holdings, Inc. to which the Company can borrow up to \$600 million. As of December 31, 2018, the Company had no outstanding borrowing against the line of credit.

INSURANCE COVERAGES

The Company is covered by a fidelity bond maintained by Cigna for itself and other affiliates and subsidiaries. The aggregate limit of liability provides fidelity coverage above the prescribed minimum set forth by the NAIC's schedule of suggested minimum amounts in the Handbook. In addition to the fidelity insurance policy, Cigna maintains various other types of insurance coverages

TERRITORY AND PLAN OF OPERATION

The Company is licensed only in the state of Connecticut and has no business.

INFORMATION TECHNOLOGY CONTROLS

The Department engaged Noble to assist in conducting a review of the Groups' IT controls environment in accordance with the guidelines and procedures set forth in Exhibit C of the Handbook (Exhibit C). The objectives were achieved through a combination of reviewing the Group's policies and procedures, testing in key areas related to Exhibit C, interviewing senior IT management, reviewing IT risk assessment processes, and leveraging the risk assessment procedures performed by PwC, IA, and SOX/Model Audit Rule documentation.

Based upon the risk-based assessment and review, the IT general control environment was determined to be effective.

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ACCOUNTS AND RECORDS

The Company utilizes the Oracle general ledger (GL) of which access is restricted through Cigna's Role-Based Access Controls (RBAC) process. User RBAC roles are semi-annually reviewed and approved by managers, and Oracle GL users' access reviews are conducted quarterly, whereby all Oracle users' access is reviewed and signed off by the users' managers.

General ledger account balances were reconciled and traced to the amounts reported in the annual statement for 2018. Further detailed analyses were performed on individual accounts throughout the examination.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2018. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$8,274,394		\$8,274,394
Cash, cash equivalents and short-term investments	276,230		276,230
Investment income due and accrued	28,594		28,594
Current federal and foreign income tax recoverable and interest thereon	6,589		6,589
Aggregate write-ins for other than invested assets	39,984	\$39,984	
Total	<u>\$8,625,791</u>	<u>\$39,984</u>	<u>\$8,585,807</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Net deferred tax liability	\$335,065
Total Liabilities	335,065
Common capital stock	1,473,650
Gross paid in and contributed surplus	227,041,350
Unassigned funds (surplus)	(220,264,258)
Surplus	6,777,092
Total surplus and other funds	8,250,742
Total liabilities and surplus	<u>\$8,585,807</u>

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SUMMARY OF OPERATIONS

Net investment income	\$270,794
Amortization of interest maintenance reserve	(46,330)
Total	224,464
Net gain from operations before dividends to policyholders and federal income taxes	224,464
Net gain from operations after dividends to policyholders and before federal income taxes	224,464
Federal and foreign income taxes incurred	99,413
Net income	<u>\$125,051</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$8,036,815
Net income	125,051
Change in net deferred income tax	42,546
Change in nonadmitted assets	46,330
Net change in capital and surplus for the year	213,927
Capital and surplus, December 31, current year	<u>\$8,250,742</u>

CAPITAL AND SURPLUS

The reconciliation of surplus for the period under examination was as follows:

Surplus, as of December 31, 2013	\$18,066,201
Net income	478,426
Change in net deferred income tax	768,427
Change in non-admitted assets	886,106
Change in asset valuation reserve	51,582
Dividends to stockholders	(12,000,000)
Net change in capital and surplus	(9,815,459)
Surplus, December 31, 2018	<u>\$8,250,742</u>

The decrease in surplus during the examination period was primarily attributable to a \$12 million dividend paid to CGC in 2014.

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SUBSEQUENT EVENTS

- As a result of the failed 2017 merger between parent Cigna and Anthem Inc., Cigna is seeking a \$1.85 billion reverse termination fee from Anthem, with the Cigna-Anthem litigation expected to be resolved in mid-2020.
- In December 2019, Cigna entered into a definitive agreement to sell its Group Disability and Life insurance business to New York Life Insurance Company for \$6.3 billion. The sale is expected to close in the third quarter of 2020 following applicable regulatory approvals and other customary closing conditions.
- Effective March 2, 2020, Carrie Casciani joined Cigna in the role of Senior Vice President, Corporate Audit. She will also serve as the Chief Risk Officer.
- On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, U.S. President Donald J. Trump declared the coronavirus pandemic a national emergency in the United States. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The Department is expecting the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The Department and all insurance regulators with the assistance of the NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. The Department has been in communication with Cigna regarding the impact of COVID-19 on its business operations and the financial position, including its Pandemic Preparedness Plan and material Third Party Vendors business continuity plans. For example, Cigna has created an Emerging Virus Workgroup to make COVID-19 related benefits and coverage recommendations to the Enterprise COVID-19 Command Center, that determines whether they should be implemented. No current material operational, solvency or liquidity concerns resulted from the high level assessment of Cigna's operational and solvency position as a result of COVID-19.

- On April 27, 2020, the U.S. Supreme Court ruled that the U.S. government must pay health insurers who absorbed excessive early losses from their ACA marketplace plan offerings. Under the ACA's risk corridors program, insurers were promised that the federal government would help cover the excessive costs from the individual plan claims for three years as a way to encourage insurers to offer plans. The three-year risk corridors program closed in 2016 with an approximate \$12 billion shortfall. The amount of reimbursement to individual insurers have yet to be determined.

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CONCLUSION

The results of this examination disclosed that as of December 31, 2018, the Company had admitted assets of \$8,585,807, liabilities of \$335,065, and surplus of \$8,250,742. During the period under examination, admitted assets decreased \$28,791,342, liabilities decreased \$18,975,883, and surplus as regards policyholders decreased \$9,815,459.

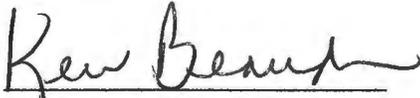
CIGNA ARBOR LIFE INSURANCE COMPANY

SIGNATURE

In addition to the undersigned, the following members of the Department participated in the examination: William Arfanis, CFE; Mike Estabrook, CFE; Ronald Jankoski, CFE; Grace Jiang, CFE; Chiffon King, AFE; Keith Kleindienst, CFE; Kent Krajick, CFE; Daniel Levine, AFE, CPA; Ellen McCarthy, AFE; Susan Pulaski, CPA; William Tacy, CFE, CIA, CISA; Andrew Greenhalgh, FSA, MAAA; and the professional services firms of Noble, JPC, RRC, and L&E.

I, Kevin Beaudoin, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2018, to the best of my information, knowledge and belief.

Respectfully submitted,



Kevin Beaudoin, CFE
Insurance Certified Financial Examiner
State of Connecticut
Insurance Department

State of Connecticut ss

County of Hartford

Subscribed and sworn before me, Jane J. Murphy, Notary Public/Commissioner of the Superior Court, on this 27th day of April, 2020.



Notary Public/Commissioner of the Superior Court

My Commission Expires July 31, 2023

JANE J. MURPHY
NOTARY PUBLIC
MY COMMISSION EXPIRES JULY 31, 2023