

Report on Examination
of
Cigna HealthCare of Florida, Inc.
Tampa, Florida
as of
December 31, 2011

By The
Florida Office of Insurance Regulation

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 E. Gaines Street
Tallahassee, Florida 32399-0305

Dear Sir:

In accordance with Section 641.27, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Cigna HealthCare of Florida, Inc. as of December 31, 2011. Our report on the examination follows.

Florida Office of Insurance Regulation
November 29, 2012

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2011 of Cigna HealthCare of Florida, Inc. (the "Company"), a single-state Florida health maintenance organization (HMO). The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2006.

This examination covered the period of January 1, 2007 through December 31, 2011. We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition and identify prospective risks of the Company. It required that we do so by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. Our examination included assessing the principles used and significant estimates made by management. It also included evaluating overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examination was conducted primarily in the Company's Tampa, Florida office.

COMPANY HISTORY

The Company was incorporated in Florida on February 10, 1981 and licensed by the Office on February 14, 1983. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, Florida Statutes (F.S.).

Dividends and Capital Contributions

The Company distributed shareholder dividends in the amounts of \$12.0 million, \$10.0 million, \$5.0 million, and \$5.5 million in years 2008 through 2011, respectively. No dividends were distributed in 2007. The Company did not receive capital contributions during the period examined.

CORPORATE RECORDS

The minutes of the meetings of the Company's board of directors were reviewed for the period examined. They adequately documented its meetings and approval of Company transactions including the authorization of investments as required by Section 641.35(7), F.S.

MANAGEMENT AND CONTROL

The Company was wholly owned by Healthsource, Inc. which was wholly owned by Cigna Health Corporation (CHC). CHC was an indirect wholly owned subsidiary of Cigna Corporation (Cigna), headquartered in Bloomfield, Connecticut. Cigna's common stock traded on the New York Stock Exchange.

The Company's senior officers and directors were:

Senior Officers

Name	Title
Andrew D. Crooks	President
Shermona S. Mapp	Secretary
Scott R. Lambert	Treasurer and Vice President
Scott E. Evelyn	Vice President
Glenn M. Gerhard	Vice President
David Goldberg	Vice President
Kathleen M. Hockmuth	Vice President
Scott T. Josephs, M.D.	Vice President
Barry R. McHale	Vice President
Robert D. Picinich	Vice President
David M. Porcello	Vice President
Maureen H. Ryan	Vice President and Assistant Treasurer
Timothy S. Sheridan	Vice President
Irene Sosnowski	Vice President
Edward V. Stacey, Jr.	Vice President

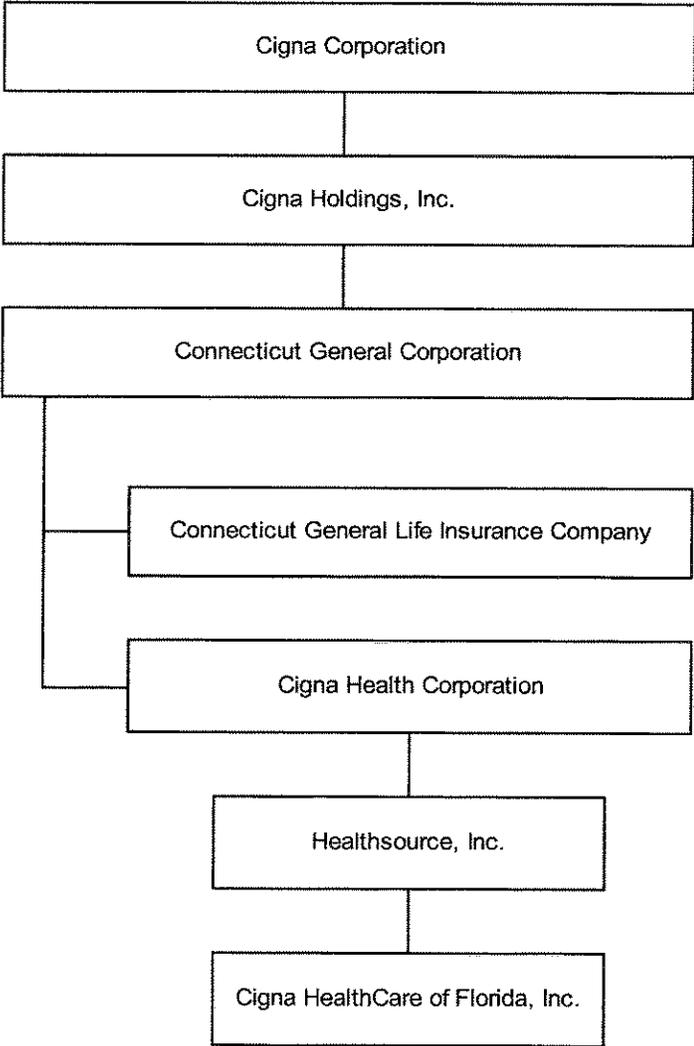
Board of Directors

Name	Location
Ernest C. Cook, M.D.	Lake Mary, Florida
David Goldberg	West Hartford, Connecticut
Scott T. Josephs, M.D.	Chapel Hill, North Carolina

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code (F.A.C.). Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C., on March 29, 2012.

An abbreviated organizational chart reflecting the holding company system is shown below.

**Cigna HealthCare of Florida, Inc.
Abbreviated Organizational Chart
December 31, 2011**



The following agreements were in effect between the Company and affiliates of the Company:

Management Services Agreement

CHC provided administrative services to the Company and other affiliates pursuant to an agreement effective January 1, 1994 and later amended.

Intercompany Service Agreement

Cigna Health Management, Inc., formerly International Rehabilitation Associates, Inc. d/b/a Intracorp, provided utilization, case, demand, disease, care and other health management services to the Company and other affiliates pursuant to an agreement effective January 1, 2001 and later amended.

Mental Health Services Agreement

Cigna Behavioral Health, Inc., formerly MCC Behavioral Care, Inc., provided mental health and substance abuse services to the Company and other affiliates pursuant to an agreement effective January 1, 1990 and later amended.

Network Access Agreement

The Company entered into a network access agreement, effective January 1, 1998, with affiliated HMOs and Connecticut General Life Insurance Company (CGLIC). The agreement allowed CGLIC and the HMOs access to the Company's provider network.

Mail Order Pharmacy Agreement

Tel-Drug, Inc. and Tel-Drug of Pennsylvania, LLC provided mail order pharmaceutical services to the Company pursuant to an agreement effective January 1, 2005.

Dental Consultation Agreement

Cigna Dental Health, Inc. provided dental consultation services to the Company and other affiliates pursuant to an agreement effective October 1, 2000.

Line of Credit Agreement

CHC provided a \$4 million line of credit to the Company pursuant to an October 1, 2005 agreement. The purpose of the agreement was to ensure that the Company was able to meet its operational cash obligations while earning investment income.

Investment Advisory Agreement

Cigna Investments, Inc. provided investment advisory and management services to the Company pursuant to a May 20, 2009 agreement.

Tax Allocation Agreement

The results of the Company's operations were included in Cigna's consolidated federal income tax returns pursuant to a 1997 tax allocation agreement. Per the agreement, federal income taxes of the group were allocated to the Company as if it were filing on a separate return basis with credit given for the tax benefit of any net operating losses, capital losses and tax credits to the extent they reduced consolidated federal income tax liability.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintained an acceptable level of general liability insurance as required by Rule 69O-191.069, F.A.C., and was insured by a fidelity bond as required by Section 641.22(7), F.S., in the amount of \$5.0 million with a deductible of \$2.5 million. As an individual practice association (IPA) model HMO, the Company maintained adequate professional liability insurance. It required in its provider contracts that its providers certify and maintain appropriate levels of medical malpractice insurance or its equivalent in compliance with Rule 69O-191.069, F.A.C.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees and did not directly provide employee benefits nor sponsor retirement plans. Employees of CGLIC performed functions on behalf of the Company. Pension and other employee benefits were allocated to the Company by CGLIC.

TERRITORY AND PLAN OF OPERATION

The Company held a current health care provider certificate issued by the Florida Agency for Health Care Administration pursuant to Part III of Chapter 641, F.S., valid until June 7, 2014. As an IPA model HMO operating solely in Florida, the Company provided health care services to 1,509 comprehensive members at December 31, 2011.

The Company was authorized and operated in the Florida counties of Brevard, Broward, Clay, Duval, Hillsborough, Lake, Miami-Dade, Nassau, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Seminole, and Volusia.

COMPANY GROWTH

The Company reported the following for years 2007 through 2011:

(In millions except member months and year-end enrollment)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Member months	556,242	189,206	74,971	34,567	22,685
Year-end enrollment	27,193	9,918	5,352	2,622	1,509
Premiums	\$ 164.4	\$ 57.5	\$ 25.0	\$ 12.3	\$ 8.5
Revenues	\$ 164.4	\$ 57.5	\$ 25.0	\$ 12.3	\$ 8.5
Underwriting deductions	\$ 162.2	\$ 57.0	\$ 22.3	\$ 11.2	\$ 8.3
Net income	\$ 4.0	\$ 2.2	\$ 3.0	\$ 3.3	\$ 0.5
Shareholder dividends	\$ -	\$ 12.0	\$ 10.0	\$ 5.0	\$ 5.5
Paid in surplus received	\$ -	\$ -	\$ -	\$ -	\$ -
Admitted assets	\$ 44.1	\$ 29.2	\$ 17.5	\$ 11.0	\$ 5.6
Liabilities	\$ 17.2	\$ 11.9	\$ 7.5	\$ 1.9	\$ 1.5
Capital and surplus	\$ 26.9	\$ 17.3	\$ 10.0	\$ 9.0	\$ 4.1

In 2011 and 2010, the Company had one customer from which it earned 54% and 41%, respectively, of total revenue excluding investment income. In 2009, it had three customers from which it earned 43% of total revenue excluding investment income. In 2008 and 2007, the Company had one customer from which it earned 24% and 17%, respectively, of total revenue excluding investment income.

REINSURANCE

The Company maintained reinsurance with CGLIC pursuant to an agreement effective January 1, 1993 and subsequently amended. The policy was administered by CHC. Effective January 1, 2011, the reinsurance covered 80% of the cost of specified health care services in excess of \$150,000.

STATUTORY DEPOSITS

The Company maintained bonds on deposit with the State of Florida in accordance with Section 641.285, F.S., with a total market value of \$2,328,594. In addition, the Company maintained a Rehabilitation Administrative Expense Fund deposit of \$10,000 in accordance with Section 641.227, F.S.

Cigna HealthCare of Florida, Inc.
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2011

Admitted Assets	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 2,120,380	\$ -	\$ 2,120,380
Cash, cash equivalents and short-term investments	2,933,633	-	2,933,633
	5,054,013	-	5,054,013
Investment income due and accrued	19,604	-	19,604
Uncollected premiums and agents' balances	89,660	-	89,660
Current income tax recoverable	217,789	-	217,789
Aggregate write-ins for other than invested assets	179,506	-	179,506
Total admitted assets	\$ 5,560,572	\$ -	\$ 5,560,572
Liabilities			
Claims unpaid	\$ 884,402	\$ -	\$ 884,402
Unpaid claims adjustment expenses	21,661	-	21,661
Aggregate health policy reserves	331,680	-	331,680
Premiums received in advance	1,048	-	1,048
Net deferred tax liability	100,908	-	100,908
Ceded reinsurance premiums payable	11,619	-	11,619
Aggregate write-ins for other liabilities	140,075	-	140,075
Total liabilities	1,491,393	-	1,491,393
Capital and Surplus			
Common capital stock	500	-	500
Gross paid in and contributed surplus	15,070,135	-	15,070,135
Unassigned funds (deficit)	(11,001,456)	-	(11,001,456)
Total capital and surplus	4,069,179	-	4,069,179
Total liabilities, capital and surplus	\$ 5,560,572	\$ -	\$ 5,560,572

Cigna HealthCare of Florida, Inc.
Statement of Revenue and Expenses
(As reported by the Company)
Year Ended December 31, 2011

Net premium income	\$ 8,458,807
Hospital and medical benefits	4,654,375
Other professional services	197,517
Outside referrals	252,963
Emergency room and out-of-area	647,010
Prescription drugs	1,205,211
	<hr/> 6,957,076
Net reinsurance recoveries	52,672
	<hr/> 6,904,404
Total hospital and medical	6,904,404
Claims adjustment expenses	240,773
General administrative expenses	1,267,114
Increase in reserves	(126,780)
	<hr/> 8,285,511
Total underwriting deductions	8,285,511
Net underwriting gain	173,296
Net investment gains	446,006
	<hr/> 619,302
Income before federal income tax	619,302
Federal income tax	77,506
	<hr/> \$ 541,796
Net income	<hr/> <hr/> \$ 541,796

Cigna HealthCare of Florida, Inc.
Statement of Changes in Capital and Surplus
Five Years Ended December 31, 2011

Capital and surplus - December 31, 2006	\$ 22,852,831
Net income	4,037,913
Change in net deferred income tax	(1,172,588)
Change in nonadmitted assets	1,446,945
Aggregate write-ins for gains or (losses)	(279,775)
<hr/>	
Capital and surplus - December 31, 2007	26,885,326
Net income	2,223,094
Change in net deferred income tax	(1,003,299)
Change in nonadmitted assets	1,156,634
Dividends to stockholder	(12,000,000)
<hr/>	
Capital and surplus - December 31, 2008	17,261,755
Net income	3,028,027
Change in net deferred income tax	(83,158)
Change in nonadmitted assets	(157,079)
Dividends to stockholder	(10,000,000)
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Capital and surplus - December 31, 2009	10,049,545
Net income	3,317,039
Change in net deferred income tax	(2,135,715)
Change in nonadmitted assets	2,818,479
Dividends to stockholder	(5,000,000)
<hr/>	
Capital and surplus - December 31, 2010	9,049,348
Net income	541,796
Change in net deferred income tax	(111,333)
Change in nonadmitted assets	89,368
Dividends to stockholder	(5,500,000)
<hr/>	
	4,069,179
Examination adjustments	-
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Capital and surplus - December 31, 2011	<u>\$ 4,069,179</u>

Cigna HealthCare of Florida, Inc.
Comparative Analysis of Changes in Capital and Surplus
December 31, 2011

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2011 - per annual statement			\$ 4,069,179
	<u>Per</u>	<u>Per</u>	<u>Increase</u>
	<u>Company</u>	<u>Examination</u>	<u>(Decrease)</u>
			<u>In Capital</u>
			<u>& Surplus</u>
Total assets	\$ 5,560,572	\$ 5,560,572	\$ -
Total liabilities	\$ 1,491,393	\$ 1,491,393	\$ -
Capital and surplus, December 31, 2011 - per examination			<u><u>\$ 4,069,179</u></u>

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Cigna HealthCare of Florida, Inc. consistent with the insurance laws of the State of Florida.

As of December 31, 2011, the Company's capital and surplus was \$4,069,179 and the Company was in compliance with the minimum capital and surplus requirement of Section 641.225, F.S.

In addition to the undersigned, the following individuals participated in this examination: Cathy S. Jones, CPA, CFE, Financial Examiner/Analyst Supervisor; Richard Tan, Actuary; and Michael D. Young, CFE, Financial Examiner/Analyst.

Respectfully submitted,

Robert Y. Meszaros, AFE
Financial Specialist
Florida Office of Insurance Regulation