

Report on Examination
of
CIGNA HealthCare of Florida, Inc.
Tampa, Florida
as of
December 31, 2002

By The
Office of Insurance Regulation
Florida Department of Financial Services

CONTENTS

SCOPE OF EXAMINATION	1
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION	2
HISTORY	3
GENERAL	3
CAPITAL STOCK	3
PROFITABILITY	4
DIVIDENDS	4
MANAGEMENT	5
CONFLICT OF INTEREST PROCEDURE	6
CORPORATE RECORDS	6
AFFILIATED COMPANIES	7
MANAGEMENT SERVICES AGREEMENT	7
NETWORK ACCESS AGREEMENT	7
INTERCOMPANY SERVICE AGREEMENT	7
AGREEMENT FOR PROVISION OF MENTAL HEALTH SERVICES	8
AGREEMENT FOR CONSULTATION ON SELECTED DENTAL CASES	8
PARTICIPATING PHARMACY AGREEMENT	8
TAX ALLOCATION AGREEMENT	8
INVESTMENT ADVISORY AGREEMENT	8
ORGANIZATIONAL CHART	9
FIDELITY BOND AND OTHER INSURANCE	10
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS	10
STATUTORY DEPOSITS	10
INSURANCE PRODUCTS AND RELATED PRACTICES	11
TERRITORY AND PLAN OF OPERATION	11
TREATMENT OF MEMBERS	11
REINSURANCE	12
ACCOUNTS AND RECORDS	13
CUSTODIAL AGREEMENT	14
FINANCIAL STATEMENTS PER EXAMINATION	15
ASSETS	16
LIABILITIES, CAPITAL AND SURPLUS	17
STATEMENT OF INCOME	18
COMMENTS ON FINANCIAL STATEMENTS	19
ASSETS	19
LIABILITIES	20
COMPARATIVE ANALYSIS OF CHANGES IN CAPITAL AND SURPLUS	21

SUMMARY OF FINDINGS	22
COMPLIANCE WITH PREVIOUS DIRECTIVES	22
CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION	22
ACCOUNTS AND RECORDS	22
ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID	23
FEDERAL AND FOREIGN INCOME TAX RECOVERABLE	23
DUE TO PARENT, SUBSIDIARIES AND AFFILIATES	24
CONCLUSION	25

Tallahassee, Florida

June 30, 2004

Kevin M. McCarty, Director
Office of Insurance Regulation
Florida Department of Financial Services
Tallahassee, Florida 32399-0301

Dear Sir:

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes ("F.S."), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), we have conducted an examination as of December 31, 2002, of the financial condition and corporate affairs of:

**CIGNA HEALTHCARE OF FLORIDA, INC.
3101 MARTIN LUTHER KING BLVD., SUITE 200
TAMPA, FLORIDA 33607**

hereinafter generally referred to as the "Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2000 through December 31, 2002. The Company was last examined by representatives of the Florida Office of Insurance Regulation (formerly, the Florida Department of Insurance) (the "Office") as of December 31, 1994. In lieu of conducting statutory financial examinations of the Company for the years 1995 through 1999, the Office accepted the independent certified public accountant's ("CPA") audit reports on the Company's statutory-basis financial statements for those years pursuant to Section 641.27(1), F.S.

Planning for the current examination began on June 9, 2003. The fieldwork commenced on June 16, 2003, was suspended on November 7, 2003, resumed on December 15, 2003, and concluded on December 29, 2003. (See page 13.) The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This was a statutory financial examination conducted in accordance with the Financial Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC, with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination of liabilities, as those balances affect the financial solvency of the Company.

The examination included a review of corporate and other selected records deemed pertinent to the Company's operations and practices. In addition, various ratio results, the A.M. Best Report, the Company's independent audit reports and certain work papers prepared by the Company's independent CPA were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the amounts of the Company's assets and liabilities as reported by the Company in its 2002 annual statement. Transactions subsequent to December 31, 2002 were reviewed where relevant and deemed significant to the Company's financial condition.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION

There were no significant adverse findings from the prior examination on which to comment.

HISTORY

GENERAL

The Company was incorporated in Florida on February 10, 1981, and commenced business on February 22, 1981.

In accordance with Part I of Chapter 641, F.S., the Company is authorized to transact business as a health maintenance organization ("HMO"). During 2002, the Company converted from a combination model to an individual practice association model HMO.

Neither the Company's articles of incorporation nor its bylaws were amended during the period covered by this examination.

CAPITAL STOCK

As of December 31, 2002, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000
Number of shares issued and outstanding	500
Total common capital stock	\$500.00
Par value per share	\$1.00

At December 31, 2002, the Company was wholly-owned by Healthsource, Inc., which in turn was wholly-owned by CIGNA Health Corporation, which is ultimately owned by CIGNA Corporation. Healthsource, Inc. acquired the Company from CIGNA Health Corporation on April 1, 1998. A simplified organizational chart appears on page 9.

PROFITABILITY

The Company reported net premiums of \$294.0 million, \$247.8 million, and \$300.8 million in years 2000, 2001, and 2002, respectively; and net income or (loss) of \$1.7 million, (\$16.7 million), and \$3.1 million in those same years.

In the fourth quarter of 2001, CIGNA Corporation adopted a restructuring program primarily to consolidate existing health service centers into regional service centers. As a result, the Company recognized a pre-tax charge of \$8.3 million in 2001 for its share of the restructuring expenses. The restructuring program was substantially completed in the fourth quarter of 2002.

During the fourth quarter 2002, CIGNA Corporation adopted a restructuring program primarily to realign the organizational structure and objectives of its health care business. As a result, the Company recognized a pre-tax charge of \$1.3 million in 2002.

DIVIDENDS

The Company paid \$20 million in shareholder dividends in 2000, reported as a decrease in paid in surplus. No dividends were paid in years 2001 or 2002. During 2001, the Company received capital contributions in the total amount of \$1,889,474.

MANAGEMENT

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.0701 and 607.0803, F.S. Directors serving as of December 31, 2002 were:

Directors

Name and Location	Principal Occupation
David M. Cordani East Hartland, Connecticut	Vice President - CIGNA HealthCare of Florida, Inc.
Katherine K. Fry Avon, Connecticut	Vice President & Chief Accounting Officer - CIGNA HealthCare of Florida, Inc.
William C. Popik, M.D. West Simsbury, Connecticut	National Medical Director - CIGNA Health Corporation
Karen S. Rohan Ware, Massachusetts	Vice President - CIGNA Health Corporation
William A. Schaffer, M.D. West Hartford, Connecticut	Sr. Vice President & Chief Medical Officer - CIGNA Health Corporation
Chuiie L. Yuen, M.D. Rolling Hills Estates, California	National Medical Director - CIGNA Health Corporation

The following senior officers were appointed by the Board of Directors in accordance with the Company's bylaws:

Senior Officers

Name	Title
Andrew D. Crooks	President
Lynn M. Wytas	Vice President & Treasurer
Susan L. Cooper	Secretary
John P. Frey	Vice President
Katherine K. Fry	Vice President
Glenn M. Gerhard	Vice President
Stephen D. Harris	Vice President
James T. Kohan	Vice President
David C. Kopp	Vice President
Robert M. Kropp, M.D.	Vice President
Gregg D. MacDonald	Vice President
Barry R. McHale	Vice President
David M. Porcello	Vice President
Stephen C. Stachelek	Vice President
Bach Mai Thi Thai	Vice President
Chui Lan Yuen, M.D.	Vice President

CONFLICT OF INTEREST PROCEDURE

The Company has adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with Section 607.0832, F.S. No exceptions were noted during this examination.

CORPORATE RECORDS

The recorded minutes of the Board of Directors meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., including the authorization of investments as required by Section 641.35(7), F.S.

AFFILIATED COMPANIES

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."). The Company filed a holding company registration statement with the State of Florida on April 3, 2002, as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C. The statement was amended on September 15, 2003.

The following agreements were in force between the Company and its affiliates:

MANAGEMENT SERVICES AGREEMENT

CIGNA Health Corporation provides administrative services to the Company and certain of its affiliates pursuant to an agreement effective January 1, 1994. CIGNA Health Corporation allocates expenses to the Company based on the ratio of allocable expenses to total expenses at the parent company level, and charged the Company \$116.9 million, \$99.6 million, and \$85.2 million in fees and related interest during 2002, 2001, and 2000, respectively.

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"), also an affiliate. The agreement allows CGLIC and the HMOs access to the Company's provider network.

INTERCOMPANY SERVICE AGREEMENT

The Company pays International Rehabilitation Associates, Inc., an affiliate, a capitation fee for utilization, case, demand, disease, care management and other services to its members, pursuant to an intercompany service agreement. The expense relating to these services for years 2002, 2001, and 2000 was \$575,318, \$422,762, and \$486,785, respectively.

AGREEMENT FOR PROVISION OF MENTAL HEALTH SERVICES

The Company pays CIGNA Behavioral Health, Inc. (formerly "M.C.C. Companies, Inc."), an affiliate, a capitation fee to provide mental health and substance abuse services to its members. The expense relating to this agreement was \$5.7 million, \$4.8 million, and \$5.8 million in years 2002, 2001, and 2000, respectively.

AGREEMENT FOR CONSULTATION ON SELECTED DENTAL CASES

The Company has an agreement with CIGNA Dental Health, Inc. and its subsidiaries, effective October 1, 2000, calling for CIGNA Dental Health, Inc. or one of its affiliates to provide dental consultations to the Company's subscribers in return for a fee of \$80 per consultation.

PARTICIPATING PHARMACY AGREEMENT

Tel-Drug, Inc., an affiliate, provides mail-order pharmacy services to the Company's subscribers pursuant to an agreement effective October 1, 1994.

TAX ALLOCATION AGREEMENT

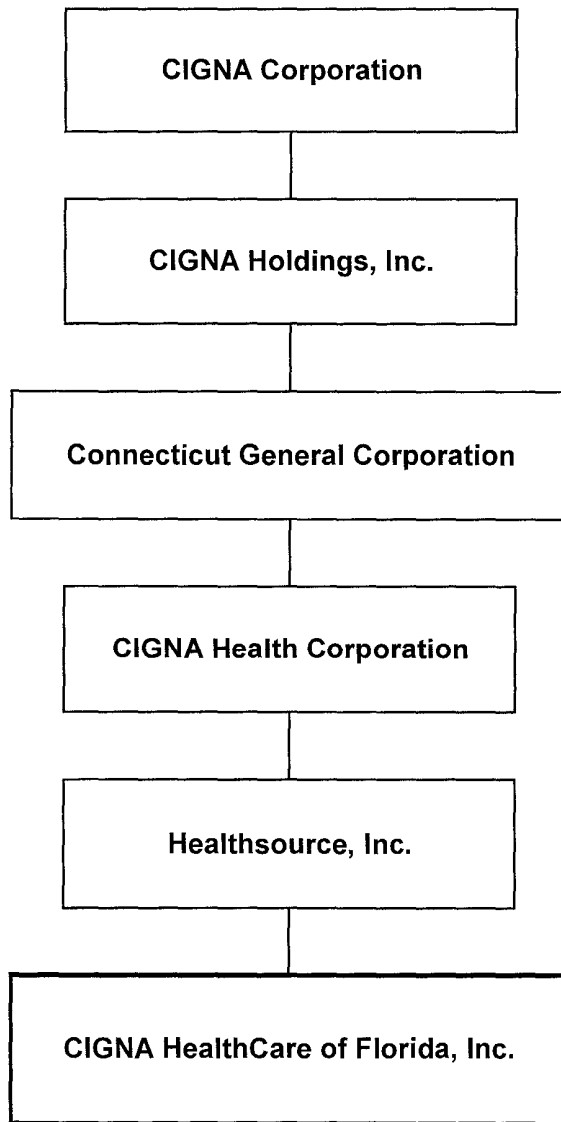
The Company's operations are included in the consolidated Federal income tax return of CIGNA Corporation. Pursuant to a consolidated Federal income tax agreement between the Company and CIGNA Corporation, the Company is liable for payments determined as if it had filed a separate return, and is reimbursed to the extent that any of its net operating losses are used to reduce consolidated taxable income.

INVESTMENT ADVISORY AGREEMENT

CIGNA Investments, Inc., an affiliate, provides investment services to the Company pursuant to an agreement effective December 1, 1994. The agreement was amended on December 3, 2002.

A simplified organizational chart as of December 31, 2002 reflecting the holding company system is shown below. Schedule Y of the Company's 2002 annual statement provided the names of all related companies in the holding company group.

**CIGNA HealthCare of Florida, Inc.
Organizational Chart
December 31, 2002**



FIDELITY BOND AND OTHER INSURANCE

The Company requires its providers to maintain appropriate levels of medical malpractice insurance or its equivalent in compliance with Rule 69O-191.069, F.A.C. The Company is a named insured on a general liability and fidelity bond insurance policy, as required by Section 641.22, F.S., and Rule 69O-191.069, F.A.C.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company offers to its employees benefit plans sponsored by CIGNA Corporation, including a qualified, noncontributory defined benefit pension plan; a capital accumulation 401(k) plan in which employee contributions are supplemented by the Company; and other voluntary retirement benefits.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 641.285, F.S.:

Description	Par Value	Market Value
Cash	\$10,000	\$10,000
Municipal bonds, 4.9%, due 1/1/2007	750,000	749,342
Municipal bonds, 5.2%, due 5/15/2007	<u>1,000,000</u>	<u>1,005,390</u>
Total special deposits	<u>\$1,760,000</u>	<u>\$1,764,732</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

TERRITORY AND PLAN OF OPERATION

At December 31, 2002, the Company was authorized to transact business in Florida as an HMO in accordance with Part I of Chapter 641, F.S., and 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. It offers individual conversion and point-of-service products sold jointly with CGLIC. The Company covers in-network care and CGLIC covers out-of-network care.

The Company's subscribers numbered approximately 132,633 at December 31, 2002. It uses a network of 1,860 licensed agents, of which 186 were employed by the Company.

The Company operates in the Florida counties of Alachua, Baker, Brevard, Broward, Charlotte, Clay, Dade, Duval, Hernando, Hillsborough, Lake, Lee, Manatee, Marion, Martin, Nassau, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Sarasota, Seminole, and Volusia.

TREATMENT OF MEMBERS

The Company established procedures for handling written complaints in accordance with Section 641.511, F.S. It maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency and arbitration clauses, transfer of risk, reporting and settlement information deadlines, except as noted below.

As of December 31, 2002, the Company was party to only one reinsurance agreement, which was with CGLIC. The agreement became effective January 1, 2000, and is administered by CIGNA Health Corporation an affiliate. In return for premiums paid, the Company is reimbursed for a portion of its claims in excess of a deductible amount for hospital and related services provided to individuals. For the year 2002, the required deductible was \$150,000 per individual health plan member per calendar year, with the Company retaining 20% and ceding 80% of claim costs over \$150,000. During 2002, reinsurance premiums and recoveries related to this agreement amounted to \$4.6 million and \$3.1 million, respectively.

During the examination, we noted that the reinsurance agreement did not contain the insolvency provision required by Section 624.610(8), F.S. However, on October 10, 2003, the Company provided the Office with an amended agreement, effective December 31, 2002, containing the required provision.

ACCOUNTS AND RECORDS

An independent CPA audited the Company's statutory basis financial statements annually for years 2000, 2001, and 2002, pursuant to Section 641.26(1)(c), F.S. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, F.A.C.

The Company's accounting records were maintained on a computerized system. Its balance sheet accounts were verified with the line items of its annual statement submitted to the Office.

During the examination period, the Company maintained its principal operational offices in Chattanooga, Tennessee. In July of 2003, the Company relocated those offices to Hartford, Connecticut. Books and records were maintained in the operational offices. Most of the examination was conducted in the Company's statutory home office in Tampa, Florida. A portion of the exam work related to the Company's "accident and health premiums due and unpaid" account was conducted in Phoenix, Arizona.

The examiners were able to complete the examination. However, during the examination the Company did not always freely make available to the examiners its accounts, records, documents, files, information, and matters in their possession or control relating to the subject of the examination, as required by Section 624.318(2), F.S. The Company did not always provide examiners with prompt and adequate access to requested financial records; limited examiners' access to knowledgeable Company employees; and did not always provide examiners with requested documentation on a timely basis in the manner requested. This was particularly true in the review of cash and investments, claims unpaid, accident and health premiums due and unpaid, Federal and foreign income tax recoverable, and amounts due to parent, subsidiaries and affiliates. As a result, the examination was needlessly prolonged and difficult to conduct, and resulted in undue expense to the Office. The examination was suspended on November 7, 2003 as a result of difficulties encountered in obtaining requested

information from the Company related to accident and health premiums due and unpaid, and resumed in Phoenix, Arizona on December 15, 2003.

The following agreement was in effect between the Company and non-affiliates:

CUSTODIAL AGREEMENT

Chase Manhattan Bank, N.A., executes discretionary securities trades according to Company guidelines pursuant to a November 19, 1997 custodial agreement.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements of the Company's financial position at December 31, 2002, as determined by this examination, and the results of its operations for the year then ended as reported by the Company. Adjustments resulting from this examination are summarized on page 21.

CIGNA HealthCare of Florida, Inc.
Assets
December 31, 2002

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	\$31,799,327		\$31,799,327
Cash and short-term investments	16,571,972		16,571,972
Receivable for securities	22,314		22,314
Accident and health premiums due and unpaid	19,972,907		19,972,907
Health care receivables	227,782		227,782
Amounts recoverable from reinsurers	1,225,164		1,225,164
Investment income due and accrued	657,194		657,194
Federal and foreign income tax recoverable and interest thereon	5,528,713		5,528,713
Electronic data processing equipment and software	2,019		2,019
Aggregate write-ins for other than invested assets	99,583		99,583
Totals	<u>\$76,106,975</u>	<u>\$0</u>	<u>\$76,106,975</u>

CIGNA HealthCare of Florida, Inc.
Liabilities, Capital and Surplus
December 31, 2002

Liabilities	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$40,753,337		\$40,753,337
Unpaid claims adjustment expenses	1,334,631		1,334,631
Aggregate policy reserves	1,600,000		1,600,000
Premiums received in advance	192,339		192,339
General expenses due or accrued	68,300		68,300
Amounts due to parent, subsidiaries and affiliates	12,244,566	537,590	12,782,156
Aggregate write-ins for other liabilities	<u>708,154</u>	<u> </u>	<u>708,154</u>
Total liabilities	56,901,327	537,590	57,438,917
Capital and Surplus			
Common capital stock	500		500
Gross paid in and contributed surplus	15,070,135		15,070,135
Unassigned funds (surplus)	<u>4,135,013</u>	<u>(537,590)</u>	<u>3,597,423</u>
Total capital and surplus	<u>19,205,648</u>	<u>(537,590)</u>	<u>18,668,058</u>
Total liabilities, capital and surplus	<u><u>\$76,106,975</u></u>	<u><u>\$0</u></u>	<u><u>\$76,106,975</u></u>

CIGNA HealthCare of Florida, Inc.
Statement of Income
For Year Ended December 31, 2002

Income

Net premium income		\$300,761,269
Fee-for-service (net)		<u>3,152,301</u>
Total revenues		303,913,570
Hospital/medical benefits	\$174,887,435	
Other professional services	10,183,093	
Outside referrals	29,474,904	
Emergency room and out-of-area	16,721,814	
Prescription drugs	38,311,111	
Aggregate write-ins for other medical and hospital	2,464,526	
Incentive pool and withhold adjustments	<u>(61,128)</u>	
	271,981,755	
Net reinsurance recoveries	<u>(3,875,242)</u>	
Total medical and hospital	268,106,513	
Claims adjustment expenses	12,438,256	
General administrative expenses	27,558,163	
Increase in reserves for accident and health contracts	<u>(442,000)</u>	<u>307,660,932</u>
Net underwriting gain or (loss)		(3,747,362)
Net investment income earned	3,273,898	
Net realized capital gains or (losses)	<u>(71,147)</u>	
Net investment gains or (losses)	3,202,751	
Aggregate write-ins for other income or expenses	<u>11,541</u>	<u>3,214,292</u>
Net income or (loss) before federal income taxes		(533,070)
Federal and foreign income taxes incurred		<u>(3,653,368)</u>
Net income (loss)		<u><u>\$3,120,298</u></u>

Capital and Surplus Account

Capital and surplus, December 31, 2001		\$18,621,066
Net income or (loss)		3,120,298
Change in net deferred income tax		(2,942,815)
Change in nonadmitted assets		(1,037,899)
Aggregate write-ins for gains in surplus		<u>1,444,998</u>
		\$19,205,648
Examination adjustments		<u>(537,590)</u>
Capital and surplus, December 31, 2002		<u><u>\$18,668,058</u></u>

COMMENTS ON FINANCIAL STATEMENTS

ASSETS

Accident and Health Premiums Due and Unpaid	\$19,972,907
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CIGNA Health Corporation provides premium billing and collection services to the Company, through affiliate CGLIC, pursuant to a management services agreement. The Company's premium payments are remitted to lockboxes and subsequently forwarded to the Company. Pursuant to the management services agreement, premium payments received on behalf of the Company are generally required to be remitted to the Company no later than midnight on the fourth business day after receipt. The examination revealed that the premiums were frequently not forwarded to the Company on a timely basis as required by the agreement, and that they were often remitted following periods substantially in excess of four business days.

Federal and foreign income tax recoverable	\$5,528,713
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The Company's operations are included in the consolidated Federal income tax return of CIGNA Corporation. In its 2002 annual statement, the Company reported as an admitted asset "Federal and foreign income tax recoverable" in the total amount of \$5,528,713, including a deferred tax asset of \$1,558,438. While the remaining \$3,970,275, identified by the Company as Federal income taxes due from CIGNA Corporation, was subsequently collected by the Company, it was unable to provide the examiners with a detailed explanation of how it was calculated.

LIABILITIES

Claims unpaid **\$40,753,337**

An outside actuarial firm appointed by the Company's board of directors rendered an opinion that the amounts carried in the balance sheet at December 31, 2002, made a reasonable provision for all losses and loss expense obligations of the Company under the terms of its policies and agreements. The Office's actuary reviewed data provided by the Company and concurred with this opinion.

Amounts due to parent, subsidiaries and affiliates **\$12,782,156**

The \$12,244,566 reported by the Company as due to its parent, subsidiaries and affiliates is increased by \$537,590. The Company failed to accrue \$537,590 for the final seven days of employee salary and benefit expenses at December 31, 2002, in accordance with Section 641.35(3)(c), F.S., and Statement of Statutory Accounting Principles No. 5.

Contingent liabilities

As of December 31, 2002, CIGNA Corporation had been named as defendant in Federal and state lawsuits. A Federal Court in Florida certified a class of health care providers who allege violations under the Racketeer Influenced and Corrupt Organizations Act and ERISA. CIGNA Corporation appealed that decision. Separately, the Company recognized an after-tax charge of \$497,257 in 2002 for estimated costs associated with a class action lawsuit against CIGNA Corporation by providers alleging breach of contract and seeking increased reimbursements. As of December 31, 2002, the U.S. Attorney's Office was investigating CIGNA Corporation's compliance with Federal laws in connection with pharmaceutical companies' marketing practices and their impact on prices paid by the government to those companies for products under Federal health programs. Future resolution of one or more of these legal matters could result in losses to the Company that could be material to its financial condition.

CIGNA HealthCare of Florida, Inc.
Comparative Analysis of Changes in Capital & Surplus
December 31, 2002

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

Capital & surplus, December 31, 2002 - per annual statement			\$19,205,648
	<u>Per Company</u>	<u>Per Exam</u>	<u>Increase (Decrease) In Capital & Surplus</u>
Amounts due to parent, subsidiaries and affiliates	\$12,244,566	\$12,782,156	(\$537,590)
Net change in capital and surplus			<u>(537,590)</u>
Capital & surplus, December 31, 2002 - per examination			<u>\$18,668,058</u>

SUMMARY OF FINDINGS

COMPLIANCE WITH PREVIOUS DIRECTIVES

There were no significant findings from the prior examination on which to comment.

CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2002.

ACCOUNTS AND RECORDS

As more fully discussed on page 13, during the examination the Company did not always freely make available to the examiners its accounts, records, documents, files, information, and matters in their possession or control relating to the subject of the examination, as required by Section 624.318(2), F.S. The Company did not always provide examiners with prompt and adequate access to requested financial records; limited examiners' access to knowledgeable Company employees; and did not always provide examiners with requested documentation on a timely basis in the manner requested. As a result, the examination was needlessly prolonged and difficult to conduct, and resulted in undue expense to the Office. **The Company is directed to comply with Section 624.318(2), F.S., on future examinations by the Office, and provide examiners with prompt and adequate access to requested financial records and knowledgeable employees, and provide them with all requested documentation on a timely basis in the manner requested.**

ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

As more fully discussed on page 19, pursuant to the management services agreement with CIGNA Health Corporation, premium payments received on behalf of the Company are generally required to be remitted to the Company no later than midnight on the fourth business day after receipt. The examination revealed that the premiums were frequently not forwarded to the Company on a timely basis as required by the agreement, and that they were often remitted following periods substantially in excess of four business days. **The Company is directed to enforce the billing and collection provisions of the management services agreement, and within sixty (60) days, submit to the Office a written plan intended to ensure that premiums collected on its behalf by any other entity are promptly remitted to the Company.**

FEDERAL AND FOREIGN INCOME TAX RECOVERABLE

As more fully discussed on page 19, the Company's operations are included in the consolidated Federal income tax return of CIGNA Corporation. In its 2002 annual statement, the Company reported as an admitted asset "Federal and foreign income tax recoverable" in the total amount of \$5,528,713, including a deferred tax asset of \$1,558,438. While the remaining \$3,970,275, identified by the Company as Federal incomes taxes due from CIGNA Corporation, was subsequently collected by the Company, it was unable to provide the examiners with a detailed explanation of how it was calculated. **The Company is directed to maintain complete and accurate records of its financial transactions and account balances.**

DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

As more fully discussed on page 20, in its 2002 annual statement, the Company failed to accrue \$537,590 for the final seven days of employee salary and benefit expenses at December 31, 2002, in accordance with Section 641.35(3)(c), F.S., and Statement of Statutory Accounting Principles No. 5.

The Company is directed to correctly report its accrued expenses in accordance with Section 641.35(3)(c), F.S., and Statement of Statutory Accounting Principles No. 5, on future statements filed with the Office.

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.** as of December 31, 2002, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's total capital and surplus was \$18,668,058, which was in compliance with Section 641.225, F.S.

In addition to the undersigned, Stephen Feliu, Financial Examiner/Analyst I, Richard J. Schaaf, Financial Specialist, and Richard Tan, Actuary, participated in this examination.

Respectfully submitted,



Carolyn M. Maynard, CFE
Financial Specialist
Florida Office of Insurance Regulation