STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION

OF

CIGNA HEALTHCARE OF TENNESSEE, INC.

(NAIC # 95606)

FRANKLIN, TENNESSEE

AS OF

December 31, 2012

EXHIBIT "A"

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Hartford, Connecticut
June 12, 2014

Julie Mix McPeak
Commissioner of Commerce and Insurance
State of Tennessee
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-32-115, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a financial examination has been made concerning the condition and affairs of:

CIGNA HEALTHCARE OF TENNESSEE, INC.
(NAIC # 95606)
1000 Corporate Center Drive
Franklin, Tennessee 37068

hereinafter generally referred to as the "Company" and a report thereon is submitted as follows:

INTRODUCTION

This examination was called by the Tennessee Department of Commerce and Insurance (TDCI) and commenced on May 12, 2014. The examination was announced through the NAIC "FEETS" and was conducted by duly authorized representatives of the TDCI.

The previous examination was made as of December 31, 2008, by duly authorized representatives of the TDCI. The examination was a full-scope examination. The previous examination resulted in no change to the Company's surplus.

SCOPE OF EXAMINATION

This full-scope, single-state examination of CIGNA HealthCare of Tennessee, Inc. covers the period covered from January 1, 2009, to the close of business on December 31, 2012, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination of the financial condition of the Company was conducted in accordance with guidelines and procedures contained in the NAIC *Financial Condition Examiners Handbook*. Independent actuaries were used in the review of the Company's loss reserves.

During the course of examination, assets were verified and valued, and liabilities were determined or estimated as of December 31, 2012. The Company's financial condition and its degree of solvency were thereby established. Test checks, covering selected periods, were made of income and disbursement items and a general review was made of the Company's operations, practices and compliance with statutes, to the extent set hereinafter. The Connecticut Insurance Department is currently conducting the examinations of several of the Company's affiliates, including CIGNA HealthCare of Connecticut, Inc. as of December 31, 2013, (2013 Connecticut Examination). Work completed as part of the 2013 Connecticut examinations, such as corporate governance, IT general controls assessment and other common areas, was relied upon for this examination. Work papers of the Company's independent auditor were reviewed and relied upon whenever possible to assist in the completion of examination procedures.

All asset and liability items contained in the financial statement of this report were examined and verified with relative emphasis according to their amounts and potential impact on surplus.

COMPANY HISTORY

The Company was incorporated on September 10, 1984, under the provisions of the Tennessee General Corporation Act, with the name HCA Care, Inc. The Company was organized to provide or arrange to provide health care on a fixed fee or capitation basis to employers, groups of employers or trade associations for the benefit of their employees. At its incorporation, the Company was authorized to issue one thousand (1,000) shares of common stock with a par value of one dollar ($1.00) per share. Effective September 13, 1984, the Company became a wholly-owned subsidiary of Hospital Corporation of America, a Tennessee for-profit corporation.

The Company changed its name to HCA Care of Tennessee, Inc. on September 10, 1985, and commenced business on November 1, 1985. On October 1, 1987, the Company amended its charter to change its name to EQUICOR Health Plans, Inc.

The Company was acquired by CIGNA Corporation (CIGNA) pursuant to a stock purchase agreement dated January 12, 1990, with The Equitable Life Assurance Society of the

United States and Hospital Corporation of America. This acquisition was approved by order of the TDCI Commissioner on March 21, 1990. On July 1, 1991, the name of the Company was changed to CIGNA Healthplan of Tennessee, Inc. The most recent name change took place on September 1, 1993, when the Company adopted its current name CIGNA HealthCare of Tennessee, Inc.

The Company is the survivor of a merger with Healthsource Tennessee, Inc. (formerly Tennessee 1st, Inc.) with an effective date of October 30, 1998. All outstanding shares of Healthsource Tennessee, Inc. were cancelled following the merger. At the time of the merger, both companies were wholly-owned by Healthsource Management, Inc., a wholly-owned subsidiary of CIGNA.

At December 31, 2012, all one thousand (1,000) shares of the Company's common capital stock was owned by Healthsource, Inc., which is a wholly-owned subsidiary of CIGNA Health Corporation, that in turn is a wholly-owned subsidiary of Connecticut General Corporation, a subsidiary of CIGNA Holdings, Inc. CIGNA Holdings, Inc. is ultimately controlled by CIGNA.

During the examination period, the Company paid the following dividends to Healthsource, Inc.:

Type	Year	Amount
Ordinary	2012	$ 3,000,000
Extraordinary	2011	5,000,000
Extraordinary	2010	9,000,000
Extraordinary	2009	13,000,000
Total		$30,000,000

In accordance with Tenn. Code Ann. § 56-11-106(b)(1), the extraordinary dividends were approved by the TDCI prior to payment.

MANAGEMENT AND CONTROL

MANAGEMENT

The Bylaws provide for an annual meeting of the shareholders, at which time a Board of Directors is elected. The Board of Directors shall have the responsibility and the authority to conduct, manage, and control the property, business and affairs of the Company including the provisions or arrangement of health care services. The number of directors shall be not less than three or more than twelve.

The Company's Board of Directors, as of December 31, 2012, was as follows:

Name	Address	Employer
David Goldberg	W. Hartford, CT	CIGNA
Scott T. Josephs, M.D.	Chapel Hill, NC	CIGNA Healthcare
Renee McLaughlin, M.D.	Soddy-Daisy, TN	CIGNA Healthcare

The Board of Directors of the Company may, from time to time, establish committees and designate members thereof. At December 31, 2012, there were no established committees.

Officers are elected annually by the Board of Directors or the shareholders. The officers of the Company shall be a Chairman of the Board, who shall be the Chief Executive Officer, a President, one or more Vice Presidents, a Secretary and a Treasurer and such officers as the Board of Directors or the Chief Executive Officer may from time to time determine. In addition, the President may appoint or the Board of Directors may elect one or more Assistant Secretaries and one or more Assistant Treasurers who shall have the same duties and authority, respectively, as the Secretary and Treasurer.

The officers of the Company, as of December 31, 2012, were as follows:

Name	Position
Richard S. Novack	President
David Goldberg	Vice President
Irene Sosnowski	Vice President
Scott T. Josephs, M.D.	Vice President
Scott R. Lambert	Vice President, Treasurer
Kathleen R. McCabe	Vice President
Barry R. McHale	Vice President, Assistant Treasurer
Robert D. Picinich	Vice President
David M. Porcello	Vice President
Michael J. Raybeck, M.D.	Vice President, Medical Director
Timothy S. Sheridan	Vice President
Maureen H. Ryan	Vice President, Assistant Treasurer
Edward V. Stacey, Jr.	Vice President
Andrew D. Crooks	Assistant Vice President
Benjamin Karsch	Assistant Vice President
Jeffrey S. Terrill	Assistant Vice President
Joseph M. Dougherty	Assistant Vice President
Michael W. Triplett,Sr.	Assistant Vice President
Thomas J. Martel	Assistant Vice President
Mark L. Vertefeuille	Assistant Vice President
David M. Wildfeuer	Assistant Vice President
Anna Krishful	Secretary
Gregory J. Czar	Actuary

CONFLICTS OF INTEREST AND PECUNIARY INTERESTS

A check for compliance with Tenn. Code Ann. § 56-3-103 found that no director or officer of the Company had pecuniary interest in the investment or disposition of Company funds.

CIGNA's Code of Ethics (Code) contains four primary principles: (1) to comply with applicable laws, rules and regulations; (2) avoid potential conflicts of interest; (3) protect CIGNA's assets; and (4) behave ethically. All employees, officers and directors are required to sign an affirmation statement on an annual basis confirming their understanding of and compliance with the Code and disclose any known or suspected violations of the Code. No exceptions were noted.

CONTROL

Direct control of the Company is based on the ownership of the Company's outstanding common capital stock, which is solely owned by Healthsource, Inc. The Company is ultimately controlled by CIGNA.

ORGANIZATIONAL CHART

CIGNA CORPORATION
(A Delaware corporation and ultimate parent company)

- Cigna Holdings, Inc.
  - Cigna Intellectual Property, Inc.
  - Cigna Investment Group, Inc.
    - Cigna International Finance Inc.
    - Former Cigna Investments, Inc.
    - Cigna Investments, Inc.
      - Cigna Mezzanine Partners III, LP
    - Cottage Grove Real Estate, Inc.
      - Cigna Mezzanine Partners III, Inc.
      - Cigna Benefits Financing, Inc. (EI # 010947889, DE)
  - Connecticut General Corporation
    - Benefit Management Corp. (EI # 81-0585518)
      - *Allegiance Life & Health Insurance Company (EI # 20-4433475, NAIC # 12814, MT)
      - *Allegiance Re, Inc. (EI # 20-3851464, MT)
      - Allegiance Benefit Plan Management, Inc.
      - Allegiance COBRA Services, Inc.
      - Allegiance Provider Direct, LLC
      - Community Health Network, LLC
      - Intermountain Underwriters, Inc.
      - Star Point, LLC
    - HealthSpring, Inc.
      - NewQuest, LLC
        - Bravo Health, LLC
          - *Bravo Health Mid-Atlantic, Inc. (EI # 52-2259087, NAIC # 10095, MD)
          - *Bravo Health Pennsylvania, Inc. (EI # 52-2363406, NAIC # 11254, PA)
        - *HealthSpring Life & Health Insurance Company (EI # 20-8534298, NAIC # 12902, TX)
        - *HealthSpring of Alabama, Inc. (EI # 63-0925225, NAIC # 95781, AL)
        - *HealthSpring of Florida, Inc. (EI # 65-1129599, NAIC #11532, FL)

NewQuest Management of Illinois, LLC

NewQuest Management of Florida, LLC

HealthSpring Management of America, LLC

HealthSpring Financial Services, LLC

NewQuest Management of West Virginia, LLC

TexQuest, LLC

HouQuest, LLC

GulfQuest, LP

NewQuest Management of Alabama, LLC

HealthSpring USA, LLC

HealthSpring Management, Inc.

HealthSpring of Tennessee, Inc.
(EI # 62-1593150, NAIC # 11522, MD)

Tennessee Quest, LLC

HealthSpring Pharmacy Services, LLC

HealthSpring Pharmacy of Tennessee, LLC

*Cigna Arbor Life Insurance Company
(EI # 03-0452349, NAIC # 13733, CT)

Cigna Behavioral Health, Inc.

Cigna Behavioral Health of California, Inc.
(EI# 94-3107309)

Cigna Behavioral Health of Texas, Inc.
(EI# 75-2751090)

MCC Independent Practice Association of New York, Inc.

Cigna Dental Health, Inc.

Cigna Dental Health of California, Inc.
(EI# 59-2600475, CA)

Cigna Dental Health of Colorado, Inc.
(EI# 59-2675861, NAIC # 11175, CO)

Cigna Dental Health of Delaware, Inc.
(EI# 59-2676987, NAIC # 95380, DE)

Cigna Dental Health of Florida, Inc.
(EI# 59-1611217, NAIC # 52021, FL)

Cigna Dental Health of Illinois, Inc.
(EI# 06-1351097, IL)

Cigna Dental Health of Kansas, Inc.
(EI# 59-2625350, NAIC # 52024, KS)

Cigna Dental Health of Kentucky, Inc.
(EI# 59-2619589, NAIC # 52108, KY)

Cigna Dental Health of Missouri, Inc.
(EI#06-1582068, NAIC # 11160, MO)

Cigna Dental Health of New Jersey, Inc.
(EI# 59-2308062, NAIC # 11167, NJ)

Cigna Dental Health of North Carolina, Inc.
(EI# 56-1803464 , NAIC # 95179, NC)

Cigna Dental Health of Ohio, Inc.
(EI# 59-2579774, NAIC # 47805, OH)

Cigna Dental Health of Pennsylvania, Inc.
(EI# 52-1220578, NAIC # 47041, PA)

Cigna Dental Health of Texas, Inc.
(EI# 59-2676977, NAIC # 95037, TX)

Cigna Dental Health of Virginia, Inc.
(EI# 52-2188914, NAIC # 52617, VA)

Cigna Dental Health Plan of Arizona, Inc.
(EI# 86-0807222, NAIC # 47013, AZ)

Cigna Dental Health of Maryland, Inc.
(EI#20-2844020, NAIC #48119, MD)

Cigna Health Corporation

Healthsource, Inc.

Cigna HealthCare of Arizona, Inc.
(EI# 86-0334392, NAIC#95125, AZ)

Cigna HealthCare of California, Inc.
(EI# 95-3310115, CA)

Cigna HealthCare of Colorado, Inc.
(EI# 84-1004500, NAIC # 95604, CO)

Cigna HealthCare of Connecticut, Inc.
(EI# 06-1141174, NAIC # 95660, CT)

Cigna HealthCare of Florida, Inc.
(EI# 59-2089259, NAIC # 95136, FL)

Cigna HealthCare of Illinois, Inc.
(EI# 36-3385638, NAIC # 95602, IL)

Cigna HealthCare of Maine, Inc.
(EI# 01-0418220, NAIC # 95447, ME)

Cigna HealthCare of Massachusetts, Inc.
(EI# 02-0402111, NAIC # 95220, MA)

Cigna HealthCare Mid-Atlantic, Inc.
(EI# 52-1404350, NAIC # 95599, MD)

Cigna HealthCare of New Hampshire, Inc.
(EI# 02-0387749, NAIC # 95493, NH)

Cigna HealthCare of New Jersey, Inc.
(EI# 22-2720890, NAIC # 95500, NJ)

Cigna HealthCare of Pennsylvania, Inc.
(EI# 23-2301807, NAIC # 95121, PA)

Cigna HealthCare of St. Louis, Inc.
(EI# 36-3359925, NAIC # 95635, MO)

Cigna HealthCare of Utah, Inc.
(EI# 62-1230908, NAIC # 95518, UT)

Cigna HealthCare of Georgia, Inc.
(EI# 58-1641057, NAIC # 96229, GA)

Cigna HealthCare of Texas, Inc.
(EI# 74-2767437, NAIC # 95383, TX)

Cigna HealthCare of Indiana, Inc.
(EI# 35-1679172, NAIC # 95525, IN)

Cigna HealthCare of New York, Inc.
(EI# 11-2758941, NAIC # 95488, NY)

Cigna HealthCare of Tennessee, Inc.
(EI# 62-1218053, NAIC # 95606, TN)

Cigna HealthCare of North Carolina, Inc.
(EI# 56-1479515, NAIC# 95132, NC)

Cigna HealthCare of South Carolina, Inc.
(EI# 06-1185590, NAIC # 95708, SC)

*Temple Insurance Company Limited (Bermuda)

Arizona Health Plan, Inc.

Healthsource Properties, Inc.

Managed Care Consultants, Inc.

Choicelinx Corporation

Sagamore Health Network, Inc.

Cigna Healthcare Holdings, Inc.
(EI# 84-0985843)

Great-West Healthcare of Illinois, Inc.
(EI# 93-1174749, NAIC 95388, IL)

Cigna Healthcare, Inc.

*Cigna Life Insurance Company of Canada (Canada)
(AA-1560515)

*Cigna Life Insurance Company of New York
(EI# 13-2556568, NAIC # 64548, NY)

*Connecticut General Life Insurance Company
(EI# 06-0303370, NAIC # 62308, CT)

CARING – Albuquerque, LLC
(EI# 27-5402936, DE)

CG Gillette Ridge, LLC

Gillette Ridge Apartments LLC

CG Merrick, LLC

Merrick Park LLC

Merrick Park Parking LLC

CG Morrison LLC

Civic Holding LLC

CG Mystic Center LLC

Station Landing Holding LLC

CG Mystic Land LLC

ND/CG Holding LLC

CG Pinnacle, L.L.C.

- Pinnacle Industrial Center, LP
- CG Skyline, LLC
  - Skyline ND/CG LLC
    - ND Mystic Center Note LLC
    - Skyline Mezzanine Borrower, LLC
      - Skyline at Station Landing, LLC
- Careallies, LLC
- Carson Bayport 1 LP
- CG Bayport LLC
  - Bayport Colony Apartments LLC
- CG Shirlington LLC
  - Shirlington Apartments LLC
- CG Wheaton, LLC
- CG-LINA Bayport I LLC
- CG-LINA Colonial LLC
  - ND/CG Colonial LLC
    - PHF-ND Colonial LLC
- CG-LINA Commonwealth LLC
  - Unico/CG Commonwealth LLC
    - Commonwealth Acquisition LLC
- CG-LINA Jacob Way, LLC
- CG-LINA Lovejoy LLC
  - Unico-CG Lovejoy LLC
- Cigna Onsite Health, LLC
- CR Longwood Investors, LP
  - ND/CR Longwood LLC
  - ARE/ND/CR Longwood LLC
- Gillette Ridge Community Council, Inc.
- Gillette Ridge Golf LLC
- Hazard Center Investment Company LLC
- Secon Properties, LP.
- Teal Rock 501 Grant Street GP, LLC
- Teal Rock 501 Grant Street, LP
- Tel-Drug of Pennsylvania, LLC
- AEW/FDG, LP
- CR Washington Investors LP

ND/CR Unicorn LLC

Union Wharf Apartments LLC

AMD Apartments Limited Partnership

SP Newport Crossing LLC

PUR Arbors Apartment Venture LLC

CG Seventh LLC

Ideal Properties II LLC

CG-LINA Realty Investors LLC

- CG-LINA Alessandro II LLC
- 115 Sansome Street Associates, LLC
- 121 Tasman Apartments LLC
- Alto Apartments LLC
- CG-LINA Paper Box LLC

CG-LINA 10 Brookline, LLC

- ND/CR 10 Brookline LLC

Cigna Affiliates Realty Investment Group, LLC (EI# 27-5402196, DE)

- Market Street Residential Holdings LLC
  - Arborpoint at Market Street LLC
- Market Street Retail Holdings LLC
  - Market Street South LLC
- Diamondview Tower CM-CG LLC

Cigna Dulles Town, LLC

- Dulles Town Center Mall, LLC

CORAC LLC

- Bridgepoint Office Park Associates, LLC (EI# 27-3923999, DE)
- Fairway Center Associates, LLC (EI# 27-3126102, DE)
- Henry on the Park Associates, LLC (EI 27-3582688, DE)

*Cigna Health and Life Insurance Company (EI # 59-1031071, NAIC # 67369, CT)

- CarePlexus, LLC (EI# 45-2681649; DE)
- Cigna Corporate Services, LLC (EI 27-3396038, DE)
- Cigna Insurance Agency, LLC (EI # 27-1903785, CT)

Ceres Sales of Ohio, LLC
(EI # 34-1970892, OH)

Central Reserve Life Insurance Company
(EI # 34-0970995, NAIC # 61727, OH)

Provident American Life and Health Insurance Company
(EI # 23-1335885, NAIC # 67903, OH)

United Benefit Life Insurance Company
(EI # 75-2305400, NAIC # 65269, OH)

Loyal American Life Insurance Company
(EI # 63-0343428, NAIC # 65722, OH)

American Retirement Life Insurance Company
(EI # 59-2760189, NAIC # 88366, OH)

Cigna Health Management, Inc.
(EI# 23-1728483, DE)

Kronos Optimal Health Company
(20-8064696, AZ)

*Life Insurance Company of North America
(EI# 23-1503749, NAIC # 65498, PA)

*Cigna & CMC Life Insurance Company Limited (China) (50%)
(remaining interest owned by an unaffiliated party)

*LINA Life Insurance Company of Korea (Korea)

Cigna Direct Marketing Company, Inc.

Tel-Drug, Inc.

Vielife Holdings Limited (United Kingdom)

Vielife Limited (United Kingdom)

Vielife Services, Inc.

Businesshealth UK Limited

CG Individual Tax Benefit Payments, Inc.

CG Life Pension Benefits Payments, Inc.

Cigna Federal Benefits, Inc.

Cigna Healthcare Benefits, Inc.

Cigna Integratedcare, Inc.

Cigna Managed Care Benefits Company

Cigna Re Corporation

Blodget & Hazard Limited

Cigna Resource Manager, Inc.

Connecticut General Benefit Payments, Inc.

Healthsource Benefits, Inc.

IHN, Inc.

LINA Benefit Payments, Inc.

Mediversal, Inc.

Universal Claims Administration

Cigna Global Holdings, Inc.

Cigna International Corporation, Inc. (Delaware)

Cigna International Services (Delaware)

Cigna International Marketing (Thailand) Limited (Thailand)

CGO Participatos LTDA

YCFM Servicos LTDA

*Cigna Global Reinsurance Company, Ltd. (Bermuda)

Cigna Holdings Overseas, Inc.

Cigna Bellevue Alpha LLC

Cigna Hayat Sigorta, A.S.

Cigna Nederland Alpha Cooperatief U.A. (Netherlands)

Cigna Nederland Beta B.V. (Netherlands)

Cigna Nederland Gamma B.V. (Netherlands)

*Cigna Life Insurance Company of Europe S.A.-N.V. (Belgium) (99.998%) (remaining interest owned by Cigna Global Holdings, Inc. - – AA-1240009))

*Cigna Europe Insurance Company S.A.-N.V. (Belgium) (99.999%) (remaining interest owned by Cigna Global Holdings, Inc.)

Cigna European Services (UK) Limited (United Kingdom)

Cigna 2000 UK Pension LTD

Cigna Health Solution India Pvt. Ltd. (India)

Cigna International Services Australia Pty Ltd (Australia)

Cigna Apac Holdings Limited (New Zealand)

*Cigna Life Insurance New Zealand Limited (New Zealand)

Cigna Taiwan Life Assurance Company Limited (Thailand)

*Cigna Taiwan Life Insurance Company Limited (New Zealand)

Cigna Hong Kong Holdings Company Limited (Hong Kong)

Cigna Data Services (Shangai) Company Limited (China)

Cigna HLA Technology Services Limited (Hong Kong)

*Cigna Worldwide General Insurance Company Limited (Hong Kong)

*Cigna Worldwide Life Insurance Company Limited (Hong Kong)

PT GAR Indonesia

PT PGU Indonesia

RHP (Thailand) Limited

Cigna Brokerage Services (Thailand) Limited (75%)

(remaining interest owned by Cigna Holdings Overseas, Inc.)

*Cigna Non-Life Insurance Brokerage (Thailand) Limited (74.975%)
(25% interest owned by Cigna Holdings Overseas, Inc.
remaining interest owned by unaffiliated parties)

KDM (Thailand) Limited (Thailand) (99.999%)

*Cigna Insurance Public Company Limited (75%)
(24.999% interest owned by Cigna Holdings Overseas, Inc.)

*Cigna Global Insurance Company Limited (Guernsey) (99.9999%)
(remaining interest owned by Cigna Global Holdings, Inc.)

Vanbreda International NV(Brussels)

Vanbreda International Sdn. Bhd. (Malaysia)

Vanbreda International (Beijing) Consultants and Administrators Co., Ltd (China)

Vanbreda International, LLC (FL)

Vanbreda International (Dubai) Limited (United Arab Emirates)

*Cigna Worldwide Insurance Company
(EI# 23-2088429, NAIC # 90859, DE)

*PT. Asuransi Cigna (Indonesia) (80%)
(remaining interest owned by unaffiliated parties – AA-5360003)

FirstAssist Group Holdings Limited (UK)

FirstAssist Group Limited (UK)

FirstAssist Administration Limited (UK)

Brighter Business Limited (UK)

FirstAssist Legal Protection Limited (UK)

FirstAssist Insurance Services Limited (UK)

CORPORATE RECORDS

Charter

The Charter, dated September 10, 1984, establishes the Company as a perpetual, for-profit corporation. The purposes for which the corporation is organized are:

(a) To provide or to arrange for providing health care on a fixed fee or capitation basis to self-insured employers for the benefit of their employees, and to trusts established by employers, groups of employers, or trade associations for the provision of health care benefits to their employees or members.

(b) To provide consultation, training, advisory and management services to any business, whether corporation, trust, association, partnership, joint venture or proprietorship.

(c) To purchase or otherwise acquire, to hold and to sell or otherwise dispose of the stocks, bonds, and securities of any corporation, foreign or domestic; exercising all powers and any or all rights and privileges of individual ownership or interest in respect to any and all such securities.

(d) To engage in any lawful activity for which a corporation may be formed under the General Corporation Act of Tennessee.

In addition to the preceding, the Charter recites other general and specific powers in detail. These are usual in nature and consistent with statute. The Charter was inspected and found to have been duly issued and properly recorded. There were no amendments to the Charter during the period under examination.

Bylaws

The Bylaws contain seven articles that establish the rules which regulate the business and affairs of the Company and govern the conduct and duties of its shareholders, directors and officers. The Bylaws of the Company are such as are generally found in corporations of this type and contain no unusual provisions. They may be amended by the Board of Directors or by an affirmative vote of the majority of the issued and outstanding common stock of the Company. There was one amendment to the Bylaws during the period under examination. This amendment related to the selection of officers.

Meeting Minutes

The minutes of the meetings of the Board of Directors and of the shareholder were reviewed for the period under examination. They were found to be complete as to necessary detail and appear to adequately reflect the acts of the respective parties. The review of the minutes indicates that all investment transactions were approved by the Board of Directors.

AFFILIATED COMPANIES

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(b)(6), and as such, is subject to the "Insurance Holding Company System Act of 1986," set forth in Tenn. Code Ann. §§ 56-11-101, et seq. All required holding company filings during the examination period have been made by the Company's ultimate parent, CIGNA. CIGNA is a Delaware corporation and is a holding company for a group of companies, which are major providers of group, life and health insurance, managed care products and services, and retirement products and services. A complete organizational chart is included earlier in this report.

The following agreements with affiliated companies were in effect at December 31, 2012:

Management Services Agreement

Effective January 1, 1994, the Company entered into a Management Services Agreement with CIGNA Health Corporation (CHC) and its subsidiaries or affiliates. Pursuant to the agreement, as last amended on July 1, 2004, CHC agrees to provide to its healthplans various management services including, sales support, underwriting, personnel, claims processing, membership, administrative, legal, marketing, payroll, reporting and other agreed upon services.

Effective July 1, 2012, the Fourth Amendment to the Management Services Agreement revised Exhibits A and B and added an affiliated insurer as party. Exhibit A added a provision as relates to the Medical Loss Ratio Rebate payment. Exhibit B was amended to allow for Premium Billing and Collection Services to be performed by Connecticut General Life Insurance Company and another affiliated insurer, CIGNA Health And Life Insurance Company.

Each month, CHC bills each affiliate the amount due for services provided for the preceding month, including any interest due. The monthly charge is to be calculated using an approved allocation methodology which allocates expenses based upon various factors, including projected membership and/or projected usage of services by the affiliate.

Network Access Agreement

Effective November 27, 2001, the Company and various other subsidiaries of CIGNA entered into a Network Access Agreement with Connecticut General Life Insurance Company (CGL). This agreement allows CGL and participating third-party administrators and health maintenance organizations (HMO) to utilize the provider networks of other participants in the agreement. A participating company acting as a "Healthplan" under this agreement also performs claim payment, provider credentialing and re-credentialing, utilization management, quality management, and ongoing participant services associated with access to its provider network.

CGL or the related affiliate reimburses the Company for the actual capitation fee and other fees paid to providers in accordance with the terms of the agreement. The Company receives an administrative fee for the use of its provider network.

Agreement for Provision of Mental Health and/or Substance Abuse Services

Effective January 1, 1990, the Company entered into an agreement with CIGNA Behavioral Health, Inc. (CBH). Under the terms of the agreement, CBH provides mental health and substance abuse services, through its nationwide network of mental health and substance abuse providers, to the members of the CIGNA HMOs. CBH also performs claim payment, provider credentialing and re-credentialing, utilization management, quality management, first-level member and provider appeals, and member's rights and responsibilities services associated with access to its provider network.

The Company pays CBH a capitation fee to provide these services for its members. Additionally, the Company pays an operating expense to CBH in connection with CBH's Member Assistance Program.

Participating Mail Order Pharmacy Agreement

Effective January 1, 2005, the Company and various other subsidiaries of CIGNA entered into an agreement with Tel-Drug, Inc. and Tel-Drug of Pennsylvania, LLC. Under the terms of the agreement, Tel Drug, Inc. and Tel-Drug of Pennsylvania, LLC provide mail order pharmaceutical services to the Company's members.

Intercompany Service Agreement

Effective January 1, 2001, the Company entered into an agreement with Cigna Health Management, Inc., formerly International Rehabilitation Associates, Inc. (Intracorp), CGL, CHC, and other HMO affiliates, whereby Intracorp provides medical utilization review services, including pre-service certification, pre-admission certification, continued stay review, case management services, demand management, retrospective claims review, and disease management.

Dental Consultation Agreement

Effective October 1, 2000, CGL, Cigna Health Management, Inc., the Company, and other subsidiaries of CHC entered into an agreement with CIGNA Dental Health, Inc. (CDH). Pursuant to the agreement, CDH provides dental consultations at the request of CHC with respect to select dental cases. The cost is $80 for each individual dental consultation.

Cigna Health Access Premium Billing Authorization Agreement

Effective June 1, 1996, the Company and various other subsidiaries of CHC entered into an agreement with CGL. Pursuant to this agreement, each HMO is authorized to collect premium due to CGL on the CIGNA Health Access product, which is duly underwritten by both companies. Customers receive a single premium bill for this product.

Investment Advisory Agreement

Effective September, 2009, the Company and various other subsidiaries of CHC entered into an agreement with CIGNA Investments, Inc., (CI). Pursuant to the agreement, CI acts as investment advisor to the Company. This agreement replaced a previous agreement with another affiliate investment advisor. The Company pays fees to CI based upon the Company's proportionate share of the costs and expenses of CI incurred in providing advisory services to all parties to the agreement.

Consolidated Federal Income Tax Agreement

Effective January 1, 1997, the Company entered into an agreement with CIGNA and other subsidiaries of CIGNA. The agreement facilitates the filing of a consolidated federal income tax return as an affiliated group. Pursuant to this agreement, the Company makes tax payments to CIGNA based on its taxable income. In the case of a taxable loss, CIGNA will pay the Company a refund based on its taxable loss, but only to the extent that CIGNA is able to utilize the loss in the consolidated tax return. Tax expenses or benefits are allocated as though each entity had filed a separate return. Settlements between the affiliates occur quarterly with the filing of estimated tax returns. A final annual adjustment occurs upon the filing of the consolidated tax return.

Line of Credit Agreement

Effective October 1, 2005, the Company entered into an agreement with CHC. Under this agreement, CHC would loan funds to the Company, from time to time, to ensure that the Company would be able to meet its operational cash obligations while earning additional investment income. CHC agrees to provide to the Company a line of credit in the amount of six million dollars ($6,000,000). Loans shall bear interest at an interest rate equivalent to the average daily 30-day commercial paper dealer rate plus a percentage override of .25 of one percent per annum. In accordance with Tenn. Code Ann. § 56-11-106(a)(2)(A), this

agreement was filed with the TDCI on August 23, 2005, and approved on September 19, 2005.

Guarantee

Effective October 1, 2007, the Company guarantees the performance of the contractual obligations of CBH related to payments to providers for mental health and substance abuse services rendered under group service agreements issued by the Company and covering Tennessee residents, to the extent such payments to providers exceed one hundred and twenty-five percent (125%) of the fixed fee paid by the Company to CBH on an annual basis with respect to Tennessee residents.

FIDELITY BOND AND OTHER INSURANCE

The Company is listed as a named insured on a Fidelity/Crime policy and an Errors and Omissions Professional Liability policy carried by CIGNA. Additionally, the following insurance coverages were maintained by the Company at December 31, 2012:

Commercial General Liability	Commercial Umbrella Liability
Automobile Liability	Employers' Liability

The fidelity coverage is in excess of the suggested minimum amount per the NAIC *Financial Condition Examiners Handbook*. The policies noted above were reviewed without exception. All of the above policies were issued by companies licensed to transact business in the State of Tennessee.

PENSION PLANS AND OTHER EMPLOYEE BENEFITS

The Company has no employees; therefore, it has no direct pension costs. The Company was formerly allocated amounts related to a qualified, non-contributory defined benefit pension plan sponsored by CIGNA. CIGNA allocates amounts to the Company based on salary ratios. CIGNA provides retirement benefits to substantially all eligible employees through a single integrated plan (the Plan). Cigna's policy for the plan is to fund at least the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA). On May 8, 2009, CIGNA announced a freeze of its primary domestic defined benefit pension plans effective July 1, 2009. A curtailment of benefits occurred as a result of this action, since it eliminated the accrual of benefits effective July 1, 2009, for active employees enrolled in these domestic pension plans. As a result, pension expense is no longer allocated to the Company, and it is not included within administrative expenses for 2012.

The Company also participates in a capital accumulation 401(k) plan sponsored by CIGNA in which employee contributions on a before-tax basis are supplemented by the Company's matching contributions. The cost of the defined benefit plan and 401(k) plan are included within administrative expenses in the annual statement.

The Company provides certain other postretirement benefits to retired employees, spouses and other eligible dependents through a plan sponsored by CIGNA. The Company has no legal obligation for benefits under these plans. CIGNA allocates amounts to the Company based on a combination of salary ratios and member months. CIGNA and its participating subsidiaries make contributions to these plans as claims are incurred, and as of December 31, 2012, the Company's refund was $100,000.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is a HMO which provides health insurance services in Tennessee and Mississippi. Principal products and services include managed care products and services. The Certificate of Authority issued by the State of Tennessee was inspected and found to be in force both at the time of examination and inspection. Listed below is a tabulation of the Company's 2012 direct premiums written by state:

State	Direct Premiums
Mississippi	$1,394,606
Tennessee	44,521,549
Totals	$45,916,155

Plan of Operation

The Company arranges for a variety of health care services including basic physician and hospital services, outpatient services, emergency room treatment, preventive health, and well-baby care, as well as mental health and substance abuse treatments through CBH.

The Company contracts with physicians, group practices, skilled care facilities, hospitals, health care practitioners, and other ancillary providers to furnish health care services to its members.

GROWTH OF COMPANY

The Company's development, since the previous examination, is depicted in the following table:

Date	Total Revenues	Medical & Hospital Expenses	Net Income	Admitted Assets	Capital & Surplus
12/31/12	$48,123,575	$40,159,911	($1,425,284)	$12,706,491	$6,605,625
12/31/11	49,162,185	35,238,552	3,400,793	17,945,550	10,996,113
12/31/10	73,804,333	55,705,900	2,008,488	19,814,880	12,872,580
12/31/09	94,974,911	71,649,483	4,611,856	29,970,916	19,538,518

The following table shows the total number of members for the period under examination:

Year	Members
2012	10,359
2011	11,911
2010	14,939
2009	24,014

LOSS EXPERIENCE

The loss experience of the Company, since the previous examination, as reported in its annual statements, is as follows:

Year	Total Revenues	Total Hospital & Medical Expenses	Medical Loss Ratio	Total Administrative Expenses	Combined Ratio
2012	$48,123,575	$40,159,911	83.45%	$10,021,218	104.28%
2011	49,162,185	35,238,552	71.68%	9,263,661	90.52%
2010	73,804,333	55,705,900	75.48%	14,231,263	94.76%
2009	94,974,911	71,649,483	75.44%	14,914,642	91.14%
Total	$266,065,004	$202,753,846	76.51%	$48,430,784	95.18%

REINSURANCE

Assumed

The Company did not assume any reinsurance during the period under examination.

Ceded

Effective January 1, 1994, the Company entered into a Reinsurance Agreement with CGLIC. The Reinsurance Agreement is administered by CHC. Under the provisions of the Reinsurance Agreement, the Company pays a monthly premium based on an established rate per member. In return for premiums paid, the Company is reimbursed 80% of the costs in excess of a deductible for hospital and related services provided to individual members. At December 31, 2012, the deductible per individual member per calendar year was $150,000.

Effective January 1, 2012, the Agreement was amended to revise Schedule C and Section IX (2). The revised Schedule C modifies the maximum allowable premium due to CGLIC and the maximum allowable bank account funding obligation. The revision to Section IX (2) of the Agreement modified the process by which future amendments become effective and required approval by the Connecticut Insurance Department. Effective January 1, 2013, the Agreement was amended to change the reinsurer to CIGNA Health and Life Insurance Company (CHLIC) for claims incurred on or after that date.

Premiums paid by the Company for this agreement amounted to $1,028,000 for the year ended December 31, 2012. Recoveries for covered charges amounted to $0 in 2012. There is no commission equity.

The reinsurance agreement was reviewed and found to meet NAIC guidelines with respect to the standard clauses.

COMMITMENTS AND CONTINGENCIES

From the examination data made available, it appears that the only matters of law in which the Company was involved, during the period under review, were those arising out of the normal course of business and the outcome of such actions should not have a material effect on the financial position of the Company.

STATUTORY DEPOSITS

The Company maintained the following deposits at December 31, 2012:

Where Deposited and Description	Par Value	Statement Value	Market Value
Mississippi			
USTN, 0.375%, Due 7/31/13	$550,000	$ 550,555	$ 550,770
Tennessee			
Metro Gov, 5.25%, Due 6/1/13	150,000	150,789	153,070
Virginia Beach, 5.0%, Due 7/15/14	1,350,000	1,369,730	1,445,977
Mass St College, 7.0%, Due 5/1/16	795,000	869,197	945,180
Cincinnati, 5.0%, Due 12/1/13	1,100,000	1,109,767	1,147,781
Totals for Tennessee	$3,395,000	$3,499,482	$3,692,008
Totals for All States	$3,945,000	$4,050,037	$4,242,778

The deposits listed above are for the benefit of all policyholders, claimants and creditors of the Company. The deposits were verified by direct correspondence with the regulating jurisdiction.

ACCOUNTS AND RECORDS

During the course of examination, such tests and audit procedures were made as were considered necessary, including substantial verification of postings, extensions and footings. General ledger trial balances were reconciled with copies of annual statements for the years 2009, 2010, 2011, and 2012. Accounting records conform to generally accepted insurance accounting practices and appear to properly reflect the operations during the period under examination and the status of the Company at the date of examination. The Company's books and records are located at their administrative office at 900 Cottage Grove Road, Hartford, Connecticut.

The Company is audited annually by PricewaterhouseCoopers, LLP, Hartford, Connecticut. There is no violation of Tenn. Comp. R. & Reg., ch. 0780-1-65.07(3).

Actuarial Review

TDCI contracted with the independent actuarial firm of Lewis & Ellis, Inc., Allen, Texas, to assist with this examination. The firm of Lewis & Ellis was retained to review the actuarial assumptions and methodologies of the actuarial liabilities established by the Company. They concluded that the methods used are appropriate and that the established actuarial liabilities, as of December 31, 2012, are adequate.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities and statement of revenue and expenses at December 31, 2012, together with a reconciliation of capital and surplus for the period under review, as reported by the Company and as established by this examination:

ASSETS

	Assets	Non Admitted Assets	Net Admitted Assets
Bonds	$ 5,896,010	$ 550,554	$ 5,345,456
Cash, cash equivalents and short term investments	3,381,912	0	3,381,912
Subtotals, cash and invested assets	9,277,922	550,554	8,727,368
Investment income due and accrued	61,826	0	61,826
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	3,837,467	28,365	3,809,102
Net deferred tax asset	107,193	9,833	97,360
Current federal and foreign income tax recoverable and interest thereon	10,835		10,835
Receivables from parent, subsidiaries and affiliates	13,331	13,331	0
Aggregate write-ins for other than invested assets:			
Broker commissions	201	201	0
Total assets	$13,308,775	$ 602,284	$12,706,491

LIABILITIES, CAPITAL AND SURPLUS

Liabilities		
Claims unpaid		$4,422,000
Unpaid claims adjustment expenses		79,435
Aggregate health policy reserves, including the liability of $0 for medical loss ratio rebate per the Public Health Service Act		116,370
Premiums received in advance		219,828
General expenses due or accrued		123,668
Ceded reinsurance premiums payable		81,924
Amounts withheld or retained for the accounts of others		35,241
Amounts due to parent, subsidiaries and affiliates		330,571
Aggregate write-ins for other liabilities:		
Accrued taxes		577,935
Escheat liabilities		86,741
Other liabilities		27,153
Total liabilities		6,100,866
Capital and Surplus		
Common capital stock	$1,000	
Gross paid in and contributed surplus	28,234,100	
Unassigned funds	(21,629,475)	
Total capital and surplus		6,605,625
Total liabilities, capital and surplus		$12,706,491

STATEMENT OF REVENUES AND EXPENSES

Revenue		
Net premium income	$45,916,155	
Change in unearned premium reserve and reserve for rate credits	2,207,420	
Total revenues		$48,123,575
Expenses		
Hospital/medical benefits	23,622,893	
Other professional services	5,025,379	
Outside referrals	1,704,329	
Emergency room and out-of-area	2,228,835	
Prescription drugs	7,578,472	
Incentive pool, withhold adjustments and bonus amounts	3	
Claims adjustment expenses	936,517	
Increase in reserves for life and accident and health contracts	91,070	
General administrative expenses	10,021,218	
Total underwriting deductions		51,208,716
Net underwriting gain (loss)		(3,085,141)
Net investment income earned	372,686	
Net realized capital gains (losses)	334,791	
Net investment gains (losses)		707,477
Net gain from agents' or premium balances charged off		(17,614)
Net income (loss) before federal income taxes		(2,395,278)
Federal income taxes incurred		(969,994)
Net income (loss)		($1,425,284)

RECONCILIATION OF CAPITAL AND SURPLUS

	2012	2011	2010	2009
Capital and surplus December 31, previous year	$10,966,13	$12,872,580	$19,538,518	$27,961,026
Net income (loss)	($1,425,284)	$ 3,400,793	$2,008,488	$4,611,856
Change in net deferred income tax	(31,057)	(399,815)	(782,248)	356,293
Change in nonadmitted assets	65,853	122,555	1,107,821	(390,656)
Surplus paid in	0	0	0	0
Dividends to stockholders	(3,000,000)	(5,000,000)	(9,000,000)	(13,000,000)
Net change in capital and surplus	($4,390,488)	($1,876,467)	$6,665,939)	($8,422,507)
Capital and surplus December 31, current year	$6,605,625	$10,966,113	$2,872,580	$19,538,519

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Although minor differences were found in various items, none were considered to produce a material effect on surplus funds either singly or in the aggregate.

COMMENTS AND RECOMMENATIONS

During our examination we made a number of other suggestions and recommendations to the Company with regard to record keeping and other procedures relating to its operations, however, none of these recommendations were elevated to the status of a report finding.

SUBSEQUENT EVENTS

During the 4th quarter of 2013, the Company declared and paid an extraordinary dividend in the amount of $1,000,000. In accordance with Tenn. Code Ann. § 56-11-106(b)(1), this dividend was approved by the TDCI prior to payment.

On January 1, 2014, the Company will be subject to an annual fee under section 9010 of the Affordable Care Act (ACA). CIGNA's entities' share of the annual fee will be based on the ratio of the amount of their aggregate net premiums written during the preceding year. The Company estimated that on September 30, 2014, its share of the annual health insurance industry fee will be $1,100,255.

CONCLUSION

The customary insurance examination practices and procedures, as established by the National Association of Insurance Commissioners, have been utilized in connection with the verification and valuation of assets and the determination of liabilities in the financial statement of this report.

In such manner, it was determined that, as of December 31, 2012, the Company had net admitted assets of $12,706,491 and liabilities of $6,100,866. Thus, there existed for the additional protection of the policyholders, the amount of $6,605,625 in capital and surplus.

The courteous cooperation of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, Katerina Bolbas, CFE, Insurance Examiner, of Lewis & Ellis, Inc., Actuaries & Consultants. Michael A. Mayberry, FSA, MAAA of Lewis & Ellis, Inc., Actuaries & Consultants, and Rhonda Bowling-Black, CFE, State of Tennessee participated in the work of this examination.

Respectfully submitted,

David A. Palmer, CFE
Examiner-in-Charge
Lewis & Ellis, Inc., Actuaries & Consultants

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of CIGNA HealthCare of Tennessee, Inc., dated June 12, 2014, and made as of December 31, 2012, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

David A. Palmer, CFE
Examiner-in Charge

State Maryland

County Howard

Subscribed to and sworn before me

this 19 day of June, 2014

Notary Bruce L Cate

My Commission Expires: April 4, 2016

Karen J. S. Fogarty
DOI Audit Coordinator

June 24, 2014

Routing C6ACC
900 Cottage Grove Road
Bloomfield, CT 06152
Tel 860-226-8476
Karen.Fogarty@CIGNA.com

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243

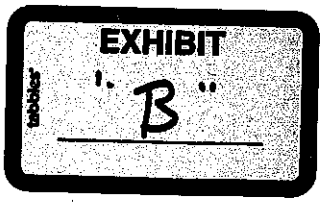
RE: Cigna HealthCare of Tennessee, Inc. – 2012 Report of Examination

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for Cigna HealthCare of Tennessee, Inc. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

Karen J.S. Fogarty
DOI Audit Coordinator



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