

EXHIBIT A



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF THE
CONTINENTAL LIFE INSURANCE COMPANY
OF BRENTWOOD, TENNESSEE
(NAIC # 68500)
FRANKLIN, TENNESSEE 37067

AS OF
DECEMBER 31, 2014

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Franklin, Tennessee
April 8, 2016

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

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-1-408, regulations, and resolutions adopted by the National Association of Insurance Commissioners (NAIC), a full-scope financial examination has been made of the condition and affairs of:

CONTINENTAL LIFE INSURANCE COMPANY OF BRENTWOOD, TENNESSEE
NAIC # 68500
800 Crescent Centre Drive, Suite 200
Franklin, Tennessee 37067

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

INTRODUCTION

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI), commenced on September 1, 2015, and was conducted by duly authorized representatives of the TDCI and representatives of Noble Consulting Services, Inc. This examination was called through the NAIC's Financial Examination Electronic Tracking System (FEETS).

SCOPE OF EXAMINATION

The last examination of the Company was made as of December 31, 2009. This examination report covers the period from January 1, 2010, through December 31, 2014, and includes any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* and practices and procedures of the TDCI. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated, both currently and prospectively.

All accounts and records of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as required by Tenn. Code Ann. § 56-1-411(c)(1), and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report, but were separately communicated to other regulators and/or the Company.

An examination of the Company's information systems was conducted in conjunction with this financial examination by the consulting firm of Noble Consulting Services, Inc. The actuarial firm of Lewis & Ellis, Inc. was engaged in the review of the Company's loss reserves. Workpapers of the Company's independent auditor, KPMG LLP, were reviewed and relied upon whenever possible to assist in the completion of examination procedures.

The Company provided a letter of representation, dated as of the date of this report, certifying that management has disclosed all significant matters. The letter is included in the workpapers of this examination.

COMPLIANCE WITH PREVIOUS EXAMINATION FINDINGS

The previous examination report, which was made as of December 31, 2009, contained one (1) comment that was addressed by the Company prior to the completion of the previous examination report. Below is a description of the previous examination report's comment:

Comments

The Custodial Agreement with Bank of New York did not contain the required language as referenced in Tenn. Comp. R. & Regs. 0780-01-46-.03(2)(a)(4). It was recommended to the Company that the agreement be modified to fully comply with this regulation. An amendment, containing the language required by Tenn. Comp. R. & Regs. 0780-01-46-.03(2)(a)(4), was executed prior to the completion of the examination.

COMPANY HISTORY

The Company was incorporated under the name of Continental Life Insurance Company for a perpetual period on December 5, 1983, pursuant to the provisions of the Tennessee General Corporation Act. The Company's original Charter authorized ten thousand (10,000) shares of common capital stock with a par value of \$75.00 per share.

On December 15, 1983, Continental Insurance Services, Inc. (CIS), a Tennessee general business corporation, subscribed to all ten thousand (10,000) shares of the Company's authorized common capital stock at a purchase price of \$112.50 per share for a total of \$1,125,000, of which \$750,000 was capital stock and \$375,000 was gross paid in and contributed surplus.

Effective October 3, 1984, the Company amended its Charter to provide for twenty thousand (20,000) total shares of common capital stock with a par value of \$75.00 per share. Subsequent to this amendment, CIS purchased an additional eight thousand, eight hundred eleven (8,811) shares of the Company's common capital stock at a purchase price of \$113.50 per share, for a total of \$1,000,080.50 of which \$660,825 was paid in capital and \$339,255.50 was gross paid in and contributed surplus.

On November 26, 1985, and December 18, 1985, CIS made contributions of \$600,000 and \$210,000, respectively, to the Company's gross paid in and contributed capital. In accordance with an amendment to the Company's Charter, effective December 23, 1985, all eighteen thousand, eight hundred eleven (18,811) shares issued and outstanding of common capital stock were exchanged by CIS for eighteen thousand, eight hundred eleven (18,811) shares of common capital stock with a par value of \$53.50 per share for total paid in capital \$1,006,388.50. The net decrease of \$404,436.50 to common capital stock, due to the exchange, was contributed by CIS to gross paid in and contributed surplus.

Effective July 3, 1986, the Company's Charter was amended to change the name of the Company to Continental Life Insurance Company of Brentwood, Tennessee. Also, in

late 1986 and throughout 1987, CIS made several surplus contributions to the Company, which totaled \$1,100,000.

In order to comply with changes in the minimum capital requirements for the State of Georgia, the Company amended its Charter effective December 4, 1992, to increase the par value of its common capital stock from \$53.50 to \$79.75. The effect of this change was to transfer \$493,788.75 from gross paid in and contributed surplus to common capital stock. This Charter amendment also increased the Company's number of authorized shares to one hundred thousand (100,000).

On May 1, 2006, all outstanding shares of CIS were purchased by Genworth Life Insurance Company (GLIC), which is an indirect wholly-owned subsidiary of Genworth Financial, Inc. ("Genworth"). On May 2, 2006, CIS was merged with and into the Company.

On November 24, 2008, after prior notification to the TDCI, the Company paid an ordinary dividend on its common stock consisting of: (a) cash in the amount of \$7,000,000; and (b) three hundred eighty-nine (389) shares of the company's common stock to its stockholder of record, GLIC.

Through September 30, 2011, the Company was a direct wholly-owned subsidiary of GLIC. On October 1, 2011, pursuant to a Stock Purchase Agreement dated June 12, 2011, GLIC sold all of the Company's outstanding common capital stock to Aetna, Inc. ("Aetna"), a publicly held company.

During the period of 2012 through 2014, the Company received the following capital contributions from Aetna:

<u>Date</u>	<u>Amount</u>
December 26, 2012	\$20,000,000
September 27, 2013	\$20,000,000
December 27, 2013	\$18,000,000
June 20, 2014	\$16,000,000
September 29, 2014	\$16,000,000
December 26, 2014	<u>\$30,000,000</u>
Total	<u>\$120,000,000</u>

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The Company's Charter, as restated on July 3, 1986, and their Bylaws, state that an annual meeting of the Shareholders shall be held each year at which the Shareholders shall elect a Board of Directors ("Board").

The Company's restated Charter provides that "All corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the Board of Directors, except as otherwise herein provided or reserved to the holders of Common Stock". Both the restated Charter and the Bylaws state that the number of directors shall not be less than three (3).

The duly elected directors serving at December 31, 2014 were as follows:

<u>NAME</u>	<u>OCCUPATION</u>
Steven Louis Hendrich	Senior Vice President, General Counsel and Secretary Continental Life Insurance Company of Brentwood, TN.
Stephen Burnett Jones	Chief Financial Officer Continental Life Insurance Company of Brentwood, TN.
Tyree Scott Wooldridge	President and Chief Executive Officer Continental Life Insurance Company of Brentwood, TN.

The number of directors serving was in compliance with the Company's Charter.

Officers

The Bylaws of the Company state that the Board shall annually elect a Chairman of the Board, President, Vice President, Secretary, and Treasurer. The offices of President and Secretary may not be held by the same person.

As of December 31, 2014, the following persons held office in the Company:

<u>NAME</u>	<u>OFFICE</u>
Tyree Scott Wooldridge	President and Chief Executive Officer
Stephen Burnett Jones	Chief Financial Officer
Steven Louis Hendrich	Senior Vice President, General Counsel and Secretary
Michael Allen Atchison	Senior Vice President
Kevin James Casey	Senior Investment Officer
Elaine Rose Cofrancesco	Treasurer
Edward Chung-I Lee	Vice President and Assistant Secretary
Brad Everett Shelton	Controller

CORPORATE RECORDS

Minutes of meetings of the Board were reviewed for the period under examination, as well as minutes for meetings of the Audit Committee. Such minutes appear to be in proper order and accurately report the proceedings of each respective meeting. The review of the minutes indicates that all investment transactions were approved by the Board.

Charter

The Company's original Charter was filed and recorded with the Tennessee Secretary of State on December 5, 1983. This Charter stated the Company's location as 3709 Nolensville Road, Nashville, Davidson County, Tennessee. Effective February 17, 1986, the Charter was amended to reflect the Company's new address at 101 Continental Place, Brentwood, Williamson County, Tennessee. Effective April 17, 2012, the Charter was amended to reflect the Company's current address at 800 Crescent Center Drive, Suite 200, Franklin, Williamson County, Tennessee.

According to the restated Charter, as amended through July 3, 1986, and in effect at December 31, 2014, the Company was organized "... to grant insurance upon the lives or health of persons and every assurance pertaining thereto; to grant, purchase or dispose of annuities or endowments; to insure against bodily injury or death by accident; to reinsure all or any portion of its own risks and to accept reinsurance from other companies...".

Bylaws

The Company's incorporator adopted Bylaws on December 13, 1983. These were still in effect as of December 31, 2014.

The Bylaws provide for an annual Shareholder meeting at which a Board is elected. The Board is to hold "regular meetings". Officers are to be elected by the Board

annually at the first Board meeting after the annual Shareholders meeting. The Company's Bylaws were not amended during the period under examination.

CONTROL

All outstanding shares of the Company are owned by the parent company, Aetna. Aetna is domiciled in Connecticut. Aetna is traded on the New York Stock Exchange using ticker symbol: AET. The Company relies on Aetna and other affiliated companies for services under various agreements.

ORGANIZATIONAL CHART

The following abbreviated organization chart shows affiliated entities in Aetna, Inc. as of December 31, 2014:

	<u>NAIC</u> <u>Co. Code</u>	<u>Domiciliary</u> <u>State</u>
Aetna Inc.		PA
Aetna Health Holdings, LLC		DE
Aetna Financial Holdings, LLC		DE
Aetna Life Insurance Company	60054	CT
Aetna Health and Life Insurance Company	78700	CT
Aetna Risk Indemnity, Ltd		BMU
Aetna Health Insurance Company	72052	PA
Aetna Health Insurance Company of New York	84450	NY
Health Re, Inc.	12980	VT
Healthagen LLC		CT
Phoenix Data Center Hosting Services LLC		DE
Active Health Management, Inc.		DE
Health Data & Management Solutions, Inc.		DE
Aetna Integrated Informatics, Inc.		PA
ASI Wings, LLC		DE
AUSHC Holdings, Inc.		CT
PHPSNE Parent Corporation		DE
Continental Life Insurance Company of		
Brentwood, Tennessee	68500	TN
American Continental Insurance Company	12321	TN
Medicity, Inc.		DE
Allviant Corporation		DE
Novo Innovations, LLC		DE
Aetna International Inc.		CT

DIVIDENDS

The Company did not pay cash dividends to Shareholders during the examination period. On October 24, 2011, after prior notification to the TDCI, the Company recorded a stock dividend to Aetna as a transfer of \$972,950 to common capital stock.

PECUNIARY INTEREST AND CONFLICTS OF INTEREST

The Company has a conflict of interest policy for its directors, officers, and responsible employees, which prohibits officers and directors from having pecuniary interest in the investment or disposition of Company funds in accordance with Tenn. Code Ann. § 56-3-103. The directors, officers and responsible employees file annual conflict of interest statements. These statements were reviewed for the period under examination. No exceptions were noted.

MANAGEMENT AND SERVICE AGREEMENTS

Administrative Services Agreement

Effective October 1, 2011, the Company entered into an Administrative Services Agreement (ASA) with Aetna Life Insurance Company (ALIC). The TDCI approved the ASA on January 11, 2012, and the Connecticut Insurance Department approved the ASA on November 28, 2011. Under this agreement, ALIC will provide the Company with the personnel necessary to perform administrative services, including accounting, payment of claims, quality assessment, and pharmacy benefit management services, related to the Company's commercial and Medicare members. This agreement obligates the Company to pay to ALIC the cost of providing such services, as well as interest on outstanding administrative service balances. For 2014 and 2013, the Company incurred \$72,099,827 and \$52,247,711, respectively, in expenses pursuant to the ASA.

Services and Shared Expenses Agreement

Effective October 1, 2011, the Company entered into a Services and Shared Expenses Agreement (SSEA) with American Continental Insurance Company (ACIC). Under this agreement, the Company and ACIC agree to share services and expenses, including facilities, data processing, marketing, accounting, and administration of agent and agency matters. The Company and ACIC will make quarterly estimated payments of their respective company's estimated share of common costs, subject to an annual true-up of actual expenses. For the two (2) years ending December 31, 2014 and 2013, the

Company paid ACIC \$499,228 and \$14,212,650, respectively, pursuant to this agreement.

Marketing Agreement

Effective July 14, 2012, the Company entered into a marketing agreement with ALIC. Under this agreement, the Company promotes individual Medicare Part D plans offered by ALIC to their respective sales forces and encourages their producers to refer customers to ALIC for Medicare Part D sales. The marketing agreement obligates ALIC to pay the Company a fixed amount for every sale made by ALIC to a consumer referred to ALIC by a Company appointed producer. Under the marketing agreement, ALIC requested the Company allow ALIC's field service representatives access to sell certain insurance products issued by the Company. The marketing agreement obligates the Company to pay ALIC a one-time payment for every issued policy sold by ALIC's field service representatives. On June 12, 2012, the Connecticut Insurance Department determined the transaction to be informational in nature, therefore no approval was necessary. The TDCI approved the marketing agreement on September 10, 2012. In 2014, the Company received \$1,970 and did not make any payments pursuant to the marketing agreement. The Company did not pay or receive any amounts pursuant to the agreement for 2013, as no services were rendered.

Unconditional Guaranty Agreement

An unconditional guaranty agreement between the Company and ACIC was executed on August 29, 2008, as a precondition to the approval of ACIC's application for a certificate of authority to operate as an insurer in the State of North Carolina. Under the terms of the agreement, the Company agrees that it will maintain capital and surplus of ACIC at the greater of the financial admission requirements or the risk-based capital requirements set out in North Carolina statute. The agreement is to extend for a minimum of three (3) years after ACIC is issued a certificate of authority in North Carolina or until ACIC can provide a Report on Examination that certifies three (3) consecutive years of net gain from operations, whichever occurs last.

Litigation Exposures Agreement

The Company has coverage for certain litigation exposures (\$10,000,000 per claim and in the aggregate including defense costs) through an affiliated captive insurance company.

Tax Sharing Agreement

Effective June 15, 2012, the Company was included in the consolidated federal income tax return of its parent company, Aetna, and Aetna's other wholly-owned subsidiaries, pursuant to the terms of a tax sharing agreement. In accordance with this agreement, the Company's current federal and state income provisions are generally computed as if the Company was filing a separate federal and state income tax return; current income tax benefits, including those resulting from net operating losses, are recognized to the extent realized in the consolidated return. Pursuant to this agreement, the Company has the enforceable right to recoup federal and state income taxes paid in prior years in the event of future net losses which they may incur, or to recoup their net losses carried forward as an offset to future net income subject to federal and state income taxes.

FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2014, the Company maintained a crime policy with a single loss limit of liability of \$10,000,000 and a deductible of \$5,000,000, which is in excess of the amount suggested by guidelines published in the NAIC *Financial Condition Examiners Handbook*. Coverage includes premises, in transit, forgery or alteration, forgery and alteration of securities and other instruments, counterfeit currency, claims and audit expense, agents of life insurance companies, servicing contractors/third party administrators, trading loss, defective signatures on real property mortgages, and computer theft.

The Company had other types of coverage in-force at December 31, 2014 including, but not limited to, property coverage, security and privacy insurance, directors and officers liability and corporate reimbursement coverage, general liability, automobile liability, workers' compensation/employer's liability, and professional liability coverage. All of the above policies were issued by companies licensed to transact business in the State of Tennessee.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company has no employees of its own. All services are provided by affiliates, under an Administrative Services Agreement.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2014, the Company was licensed in Alabama, Arizona, Arkansas, California, Colorado, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming.

In addition to its authorized writings, the Company also collects premiums in every state plus the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, due to geographical moves by policyholders.

Shown below are the figures for direct premiums by state in which the Company operated for the year ending December 31, 2014, as reported in Schedule T of the Company's Annual Statement:

<u>State</u>	<u>Life Premiums</u>	<u>Accident and Health Premiums</u>
Alabama	\$148,331	\$1,400,315
Alaska	0	16,070
Arizona	11,382	599,720
Arkansas	32,144	286,683
California	4,685	6,087,571
Colorado	4,805	775,867
Connecticut	814	98,461
Delaware	132	919,866
District of Columbia	0	5,290
Florida	195,584	10,219,140
Georgia	486,475	32,499,967
Hawaii	529	9,644
Idaho	14,733	7,610,601
Illinois	81,986	2,100,597
Indiana	50,246	1,175,489
Iowa	14,881	31,692,686
Kansas	68,183	575,396
Kentucky	289,884	5,645,985
Louisiana	84,530	1,655,358

Maine	0	23,235
Maryland	442	10,186,247
Massachusetts	375	88,265
Michigan	130,134	3,041,594
Minnesota	59,803	9,311,321
Mississippi	137,005	1,655,609
Missouri	420,152	8,653,085
Montana	22,022	416,482
Nebraska	1,594	1,035,899
Nevada	1,866	111,371
New Hampshire	1,147	1,321,725
New Jersey	135,615	12,750,445
New Mexico	3,742	234,146
New York	4,558	156,353
North Carolina	263,255	2,671,135
North Dakota	1,328	56,802
Ohio	458,377	8,255,793
Oklahoma	164,503	3,898,661
Oregon	6,303	5,242,941
Pennsylvania	146,096	5,189,066
Puerto Rico	0	0
Rhode Island	0	67,595
South Carolina	359,766	6,518,807
South Dakota	8,656	169,476
Tennessee	345,191	5,478,203
Texas	172,318	69,769,346
Utah	32,636	1,248,466
Vermont	137	967,463
Virginia	60,009	1,306,017
Washington	2,824	114,582
West Virginia	34,798	8,721,880
Wisconsin	3,459	55,146,567
Wyoming	3,155	64,015
US Virgin Islands	0	845
	<u>\$4,470,590</u>	<u>\$327,248,143</u>

Plan of Operation

The Company and its wholly-owned subsidiary, ACIC, primarily market Medicare supplement products, individual life insurance, and individual accident and health insurance. ACIC has been the primary writer of new Medicare supplement insurance. The operations of the Company and ACIC are a part of Aetna's Health Care segment.

GROWTH OF COMPANY

The following exhibit depicts certain aspects of the growth and financial history of the Company since the previous examination, according to Annual Statements filed with the TDCI:

	Premiums & Annuity		Admitted	
	<u>Considerations</u>	<u>Net Income</u>	<u>Assets</u>	<u>Surplus</u>
2014	\$330,639,438	\$2,994,102	\$277,835,490	\$156,366,779
2013	\$256,559,806	\$3,230,768	\$205,568,182	\$96,965,120
2012	\$166,370,058	\$9,683,712	\$175,599,531	\$80,155,504
2011	\$139,049,292	\$5,712,799	\$144,284,427	\$54,168,680
2010	\$142,502,846	\$11,624,841	\$143,867,260	\$58,989,610
2009	\$152,193,297	\$11,131,300	\$146,042,399	\$61,386,609

MORTALITY AND LOSS EXPERIENCE

The table below shows the mortality and loss experience as of December 31, 2014, for each year under examination:

Life:	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Ordinary Life</u>					
Net Death Benefits	\$3,062,463	\$3,009,496	\$2,499,506	\$2,693,741	\$2,396,017
Less-Reserves Released by Death	<u>507,939</u>	<u>481,062</u>	<u>375,074</u>	<u>271,913</u>	<u>226,565</u>
Actual Death Benefits Incurred	2,554,524	2,528,434	2,124,432	2,421,828	2,169,452
Divided by Expected Mortality	<u>3,091,575</u>	<u>3,306,244</u>	<u>3,771,149</u>	<u>3,979,051</u>	<u>3,474,943</u>
Mortality Experience Ratio	<u>82.63%</u>	<u>76.47%</u>	<u>56.33%</u>	<u>60.86%</u>	<u>62.43%</u>
Accident & Health:	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Group Accident & Health</u>					
Net Incurred Claims	\$3,835,959	\$4,652,984	\$5,447,185	\$6,538,452	\$7,986,454
Net Premiums Earned	<u>5,892,248</u>	<u>6,597,250</u>	<u>7,810,404</u>	<u>8,933,280</u>	<u>10,264,850</u>
Loss Experience Ratio	<u>65.10%</u>	<u>70.53%</u>	<u>69.74%</u>	<u>73.19%</u>	<u>77.80%</u>
<u>Other Accident & Health</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net Incurred Claims	\$229,974,187	\$176,581,886	\$106,812,516	\$93,673,628	\$87,265,212
Net Premiums Earned	<u>320,341,164</u>	<u>245,496,837</u>	<u>153,846,169</u>	<u>124,854,401</u>	<u>126,517,426</u>
Loss Experience Ratio	<u>71.79%</u>	<u>71.93%</u>	<u>69.43%</u>	<u>75.03%</u>	<u>68.97%</u>

REINSURANCE

Assumed Reinsurance

During the period under examination, the Company did not assume any reinsurance.

Ceded Reinsurance

Effective October 1, 2009, the Company terminated the automatic yearly renewable term (YRT) and, on August 1, 2010, terminated the facultative YRT reinsurance contracts with Optimum Re Insurance Company covering standard and sub-standard life insurance. Both contract terminations effected new business only. Reserves ceded by the Company were \$6,683 and \$6,854 for the automatic YRT, and \$54,222 and \$50,183 for the facultative YRT as of December 31, 2014 and 2013, respectively.

Effective January 1, 1992, the Company entered into a quota share contract with Employers Reinsurance Corporation covering long-term care (LTC) policies. Employers Reinsurance Corporation has since changed its name to Westport Insurance Corporation. Reserves ceded, excluding unearned premiums, by the Company as of December 31, 2014 and 2013 were \$1,298,052 and \$1,449,013, respectively.

Effective February 1, 1998, the Company entered into a quota share contract with Employers Reinsurance Corporation covering LTC policies. Employers Reinsurance Corporation has changed its name to Westport Insurance Corporation. Reserves ceded, excluding unearned premiums, by the Company as of December 31, 2014 and 2013 were \$5,407,126 and \$4,781,870, respectively.

Effective October 1, 2011, the Company entered into a reinsurance agreement with Genworth Life Insurance Company to cede, on a coinsurance basis, 100% of the remaining outstanding LTC business written by the Company. Reserves ceded by the Company as of December 31, 2014 and 2013 were \$5,850,354 and \$5,169,783, respectively.

LITIGATION AND CONTINGENT LIABILITIES

As of December 31, 2014, various lawsuits against the Company have arisen in the normal course of business relating to insurance claims settlements. Contingent liabilities arising from litigation are not considered material in relation to the financial position of the Company.

STATUTORY DEPOSITS

In compliance with statutory and other requirements, the Company maintained deposits with the jurisdictions or custodians named below as of December 31, 2014.

The following are deposits with states where special deposits are for the benefit of all policyholders, claimants, and creditors of the Company:

<u>Where Deposited and Description</u>	<u>Book / Adjusted Carrying Value</u>	<u>Fair Value</u>	<u>Par Value</u>
<u>Florida:</u>			
US Treasury Bond 5.25%, Due 02/15/2029	\$214,660	\$282,319	\$210,000
<u>Georgia:</u>			
US Treasury Note 3.625%, Due 08/15/2019	50,651	54,547	50,000
<u>Missouri:</u>			
Platte County MO School District Park 4.75%, Due 03/01/2015	601,143	604,380	600,000
<u>Nevada:</u>			
US Treasury Note 5.25%, Due 02/15/2029	204,438	268,875	200,000
<u>New Hampshire:</u>			
US Treasury Note 3.875%, Due 05/15/2018	20,058	21,744	20,000
US Treasury Bond 2%, Due 02/15/2022	505,659	516,288	515,000
<u>New Mexico:</u>			
US Treasury Bond 5.25%, Due 02/15/2029	127,774	168,047	125,000
<u>North Carolina:</u>			
US Treasury Bond 5.25%, Due 02/15/2029	408,876	537,750	400,000
US Treasury Note 1%, Due 05/31/2018	139,834	138,644	140,000
<u>Tennessee:</u>			
US Treasury Note 3.625%, Due 08/15/2029	1,114,317	1,200,032	1,100,000
US Treasury Note	2,016,829	2,088,593	2,000,000

2.625%, Due 08/15/2020 US Treasury Note			
5.25%, Due 02/15/2029 US Treasury Note	1,701,948	2,238,383	1,665,000
4.75%, Due 02/15/2037 <u>Virginia:</u> US Treasury Note	526,295	689,727	500,000
3.875%, Due 05/15/2018	<u>265,775</u>	<u>288,105</u>	<u>265,000</u>
Total Statutory Deposits	<u>\$7,898,257</u>	<u>\$9,097,434</u>	<u>\$7,790,000</u>

The statutory deposits were confirmed directly with the states holding such deposits.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2013 and December 31, 2014, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2012 through December 31, 2014, were agreed to each year's independent audit report, without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory. The Company was in compliance with Tenn. Code Ann. §§ 56-46-101, *et seq.* (Risk Based Capital for Insurers). Books and records of the Company are kept at:

800 Crescent Centre Drive, Suite 200
Franklin, Tennessee 37067

ACTUARIAL REVIEW

Michael A. Mayberry, FSA, MAAA of Lewis & Ellis, Inc. performed an actuarial examination of the following reserves reported on the Company's balance sheet:

Aggregate reserve for life policies and contracts	
(Page 3, Line 1)	\$24,949,228
Aggregate reserve for accident and health policies	
(Page 3, Line 2)	\$37,461,402
Liability for deposit-type contracts	
(Page 3, Line 3)	\$0
Policy and contract claims	
Life (Page 3, Line 4.1)	\$194,381
Accident and health (Page 3, Line 4.2)	\$29,723,335
Life insurance premiums and annuity considerations deferred and uncollected	
(Page 2, Lines 15.1 and 15.2)	\$2,300,390
Liability for advanced premiums	
(Page 3, Line 8)	\$6,903,083

There were no issues noted with the reserve amounts reported on the Company's balance sheet, nor in the methodology used to obtain those amounts.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

FINANCIAL STATEMENTS

Here follows a statement of assets, liabilities, and a statement of income as of December 31, 2014, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2014 Annual Statement:

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net Admitted</u> <u>Assets</u>
Bonds	\$157,791,693	\$91,201	\$157,700,492
Stocks:			
Common stocks	86,358,972	0	86,358,972
Cash, cash equivalents and short-term investments	10,717,857	0	10,717,857
Contract loans	901,854	0	901,854
Securities lending reinvested collateral assets	831,600	0	831,600
Investment income due and accrued	969,644	0	969,644
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	622,251	9,449	612,802
Deferred premiums, agents' balances and installments booked but deferred and not yet due	1,687,588	0	1,687,588
Reinsurance:			
Other amounts receivable under reinsurance contracts	11,367	0	11,367
Net deferred tax asset	53,743,216	35,827,057	17,916,159
Furniture and equipment, including health care delivery assets	67,569	67,569	0
Receivables from parent, subsidiaries and affiliates	2,564	2,564	0
Rounding		1	
Aggregate write-ins for other than invested assets	<u>8,462,094</u>	<u>8,334,939</u>	<u>127,156</u>
Totals	<u>\$322,168,269</u>	<u>\$44,332,779</u>	<u>\$277,835,490</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve for life contracts	\$24,949,228
Aggregate reserve for accident and health contracts	37,461,402
Contract claims:	
Life	194,381
Accident and health	29,723,335
Premiums and annuity considerations for life and health contracts received in advance	6,903,083
Contract liabilities not included elsewhere:	
Other amounts payable on reinsurance	9,196
Interest Maintenance Reserve	1,134,608
Commissions to agents due or accrued	767,932
General expenses due or accrued	2,008,888
Taxes, licenses and fees due or accrued, excluding federal income taxes	1,440,994
Current federal and foreign income taxes	7,511,537
Amounts withheld or retained by company as agent or trustee	400,839
Remittances and items not allocated	175,025
Miscellaneous liabilities:	
Asset valuation reserve	293,880
Payable to parent, subsidiaries and affiliates	7,660,122
Payable for securities	831,600
Aggregate write-ins for liabilities	<u>2,661</u>
Total Liabilities	<u>\$121,468,711</u>
Common capital stock	\$ 2,504,150
Gross paid in and contributed surplus	124,194,031
Unassigned funds (surplus)	<u>29,668,598</u>
Total Capital and Surplus	<u>\$156,366,779</u>
Total Liabilities, Capital and Surplus	<u>\$277,835,490</u>

SUMMARY OF OPERATIONS

Premiums and annuity considerations for life and accident and health contracts	\$330,639,438
Net investment income	3,075,500
Amortization of Interest Maintenance Reserve (IMR)	119,644
Commissions and expense allowances on reinsurance ceded	103,067
Miscellaneous Income:	
Aggregate write-ins for miscellaneous income	<u>504,699</u>
Totals	<u>334,442,348</u>
Death benefits	3,062,463
Disability benefits and benefits under accident and health contracts	233,810,146
Surrender benefits and withdrawals for life contracts	324,880
Increase in aggregate reserves for life and accident and health contracts	<u>1,475,931</u>
Totals	238,673,420
Commissions on premiums, annuity considerations and deposit-type contract funds	55,901,533
General insurance expenses	21,030,900
Insurance taxes, licenses and fees, excluding federal income taxes	7,234,058
Increase in loading on deferred and uncollected premiums	<u>108,025</u>
Totals	<u>322,947,936</u>
Net gain from operations after dividends to policyholders and before federal income taxes	11,494,412
Federal and foreign income taxes incurred	<u>8,513,379</u>
Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses)	2,981,033
Net realized capital gains (losses)	<u>13,069</u>
Net Income	<u>\$2,994,102</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year		\$96,965,120
Net income	2,994,102	
Change in net unrealized capital gains (losses)	(8,916,405)	
Change in net deferred income tax	4,734,255	
Change in nonadmitted assets	(1,282,878)	
Change in asset valuation reserve	(127,415)	
Surplus adjustment: paid in	<u>62,000,000</u>	
Net change in capital and surplus for the year		<u>59,401,659</u>
Capital and surplus, December 31, current year		<u>\$156,366,779</u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Capital and surplus, December 31, prior year	\$96,965,120	\$80,155,504	\$54,168,680	\$58,989,610	\$61,386,609
Net income	2,994,102	3,230,768	9,683,712	5,712,799	11,624,841
Change in net unrealized capital gains (losses)	(8,916,405)	(13,789,928)	(7,117,918)	(11,721,437)	(12,664,966)
Change in net deferred income tax	4,734,255	2,774,815	9,366,466	15,405,147	729,071
Change in nonadmitted assets	(1,282,878)	(2,092,389)	(4,479,196)	(15,216,855)	(1,144,512)
Change in asset valuation reserve	(127,415)	(98,013)	(68,452)	145,083	(145,084)
Cumulative effect of changes in accounting principles	0	(11,215,637)	(897,048)	0	0
Capital changes: transferred from surplus	0	0	0	972,950	0
Surplus adjustment: paid in	62,000,000	38,000,000	20,000,000	467,027	0
Surplus adjustment: transferred to capital	0	0	0	(972,950)	0
Aggregate write-ins for gains and losses in surplus	<u>0</u>	<u>0</u>	<u>(500,740)</u>	<u>387,306</u>	<u>(796,349)</u>
Net change in capital and surplus for the year	<u>59,401,659</u>	<u>16,809,616</u>	<u>25,986,824</u>	<u>(4,820,930)</u>	<u>(2,396,999)</u>
Capital and surplus, December 31, current year	<u>\$156,366,779</u>	<u>\$96,965,120</u>	<u>\$ 80,155,504</u>	<u>\$54,168,680</u>	<u>\$58,989,610</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

There were no recommended changes to the financial statements as of December 31, 2014, based on the results of this examination.

COMMENTS AND RECOMMENDATIONS

Comments

There were no comments noted during the completion of this examination.

Recommendations

There were no recommendations noted during the completion of this examination.

CONCLUSION

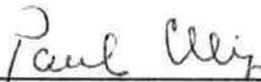
The customary insurance examination practices and procedures, as promulgated by the NAIC, have been utilized in connection with the verification and valuation of assets and the determination of liabilities of Continental Life Insurance Company of Brentwood, Tennessee.

In such manner, it was determined that, as of December 31, 2014, the Company had admitted assets of \$277,835,490, and liabilities, exclusive of capital and surplus, of \$121,468,711. Thus, there existed for the additional protection of the policyholders, the amount of \$156,366,779 in the form of common capital stock, gross paid-in and contributed surplus, and unassigned funds (surplus).

The courteous cooperation of the officers and employees of the Company extended during the course of the examination is hereby acknowledged.

In addition to the undersigned, Jim Hattaway, CFE, Examination Supervisor, Thomas Masterson, CFE and Pete Landoll, Insurance Examiners of Noble Consulting Services, Inc., and Bryant Cummings, CFE, Assistant Chief Examiner and Rhonda Bowling-Black, CFE, ARe, Insurance Examiner of the Tennessee Department of Commerce and Insurance participated in the work of this examination. An actuarial review was performed by Michael A. Mayberry, FSA, MAAA, of the actuarial firm Lewis & Ellis, Inc., of Richardson, Texas. A review of the Company's information systems was performed by Vicky Hugo, CPA, CFE, CISA, AES, of Noble Consulting Services, Inc. of Indianapolis, Indiana.

Respectfully submitted,



Paul Ellis, CFE
Examiner-in-Charge
Noble Consulting Services, Inc., representing
The State of Tennessee

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached examination report of Continental Life Insurance Company of Brentwood, Tennessee dated April 8, 2016 and made as of December 31, 2014, on behalf of the Department of Commerce and Insurance, State of Tennessee. 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.

Paul Ellis

Paul Ellis, CFE
Examiner-in-Charge
Noble Consulting Services, Inc., representing
The State of Tennessee

State Ohio

County Summit

Subscribed to and sworn before me

this 14th day of June, 2016

Jessica Sloyzak
(NOTARY)

My Commission Expires: 7/13/2019



EXHIBIT B



P. O. Box 680579
Franklin, TN 37068-9923
800 264.4000
aetnaseniorproducts.com

June 14, 2016

E. Joy Little
Director of Financial Examinations/Chief Examiner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, TN 37243-1135

**RE: Report of Examination – Continental Life Insurance Company of Brentwood,
Tennessee**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **Continental Life Insurance Company of Brentwood, Tennessee**. By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

A handwritten signature in black ink, appearing to read "Trey Hancock". The signature is fluid and cursive.

Trey Hancock, Controller