

AMENDED FILING EXPLANATION

Due to the amendment to the 2012 annual statement explained below, pages 2, 3, 4, 7 and 9 were amended in the March 31, 2013 Quarterly Statement as well.

Subsequent to filing the 2012 Statutory Annual Statement, the Company identified an error in the calculation of reserves on certain specified disease contracts due to missing reserve factors on policies in excess of thirty years in duration. SSAP No. 3 *Accounting Changes and Corrections of Errors*, requires that corrections of errors related to prior periods be reported as adjustments to unassigned surplus.

The Company corrected this error in 2012 by increasing future policy benefit reserves by \$3,802,922 and recording an adjustment to unassigned surplus in the accompanying financial statements, net of applicable federal income taxes, of \$411,084. As a result of this correction, total capital and surplus for 2012 has been reduced by \$3,391,838.

As a result, the following pages were amended: 2, 3, 4, 6, 11, 14, 18, 19, 21, 22, 23, 37, 38, 39, and 41.



QUARTERLY STATEMENT

As of March 31, 2013
of the Condition and Affairs of the

Loyal American Life Insurance Company

NAIC Group Code.....0901, 0901 (Current Period) (Prior Period)	NAIC Company Code..... 65722	Employer's ID Number..... 63-0343428
Organized under the Laws of Ohio	State of Domicile or Port of Entry Ohio	Country of Domicile US
Incorporated/Organized..... May 18, 1955	Commenced Business..... July 4, 1955	
Statutory Home Office	1300 East Ninth Street..... Cleveland OH US 44114 (Street and Number) (City or Town, State, Country and Zip Code)	
Main Administrative Office	11200 Lakeline Blvd., Suite 100..... Austin TX US 78717 (Street and Number) (City or Town, State, Country and Zip Code)	(512)451-2224 (Area Code) (Telephone Number)
Mail Address	11200 Lakeline Blvd., Suite 100..... Austin TX US 78717 (Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)	
Primary Location of Books and Records	11200 Lakeline Blvd., Suite 100..... Austin TX US 78717 (Street and Number) (City or Town, State, Country and Zip Code)	(512)451-2224 (Area Code) (Telephone Number)
Internet Web Site Address	www.loyalamerican.com	
Statutory Statement Contact	Jesse Navarrete (Name) CSBFInRpt@cigna.com (E-Mail Address)	512-807-4801 (Area Code) (Telephone Number) (Extension) (512) 467-1399 (Fax Number)

OFFICERS

Name	Title	Name	Title
1. Bradley Allen Wolfram	President	2. Brenda Weigilia Hardison	Secretary
3. Byron Keith Buescher	Treasurer	4. James Monroe Garvin III	Appointed Actuary
Paul Adolph Severt	Chief Financial Officer	Tracy Eugene Maples	Chief Actuary
David Lawrence Chambers	Vice President	Michael Kenneth Brown	Vice President
Maureen Hardiman Ryan	Assistant Treasurer	Barry Richard McHale	Assistant Treasurer

OTHER

DIRECTORS OR TRUSTEES			
Bradley Allen Wolfram	Paul Adolph Severt	Thomas Barton Richards	Eric Paul Palmer
Frank Sataline Jr.			

State of..... Texas
County of.... Williamson

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) Bradley Allen Wolfram 1. (Printed Name) President (Title)	(Signature) Brenda Weigilia Hardison 2. (Printed Name) Secretary (Title)	(Signature) Byron Keith Buescher 3. (Printed Name) Treasurer (Title)
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Subscribed and sworn to before me
This 14 day of August 2013

a. Is this an original filing?
b. If no: 1. State the amendment number
2. Date filed
3. Number of pages attached

Yes [] No [X]
1
08/15/2013
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ASSETS

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds.....	178,149,292		178,149,292	179,384,566
2. Stocks:				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....	5,064,277		5,064,277	5,436,804
3. Mortgage loans on real estate:				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate:				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$....(3,722,470)), cash equivalents (\$.....0) and short-term investments (\$....51,421,387).....	47,698,917		47,698,917	17,256,157
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives.....			0	
8. Other invested assets.....	0		0	
9. Receivables for securities.....	34,130		34,130	
10. Securities lending reinvested collateral assets.....			0	
11. Aggregate write-ins for invested assets.....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11).....	230,946,616	0	230,946,616	202,077,527
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	2,419,259		2,419,259	2,292,486
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	(6,403,165)	19,128	(6,422,293)	52,420,116
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	5,089,699		5,089,699	2,554,175
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....	1,175,790		1,175,790	2,158,639
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	717,246		717,246	6,681,700
18.2 Net deferred tax asset.....	70,483,075	56,551,171	13,931,904	13,070,000
19. Guaranty funds receivable or on deposit.....	139,712		139,712	167,684
20. Electronic data processing equipment and software.....	74,215		74,215	84,830
21. Furniture and equipment, including health care delivery assets (\$.....0).....	1,334,021	1,334,021	0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	103,013		103,013	779,938
24. Health care (\$.....0) and other amounts receivable.....	2,285,408	2,285,408	0	
25. Aggregate write-ins for other than invested assets.....	1,386,458	1,386,458	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	309,751,347	61,576,186	248,175,161	282,287,095
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. Total (Lines 26 and 27).....	309,751,347	61,576,186	248,175,161	282,287,095

DETAILS OF WRITE-INS

1101.			0	
1102.			0	
1103.			0	
1198. Summary of remaining write-ins for Line 11 from overflow page.....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. Other Receivables and Prepaid Expenses.....	1,386,458	1,386,458	0	
2502.			0	
2503.			0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	1,386,458	1,386,458	0	0

Loyal American Life Insurance Company

LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$.....0 less \$.....0 included in Line 6.3 (including \$.....0 Modco Reserve).....		
2. Aggregate reserve for accident and health contracts (including \$.....0 Modco Reserve).....	116,939,839	116,361,443
3. Liability for deposit-type contracts (including \$.....0 Modco Reserve).....	9,242	9,939
4. Contract claims:		
4.1 Life.....		
4.2 Accident and health.....	26,608,790	57,537,059
5. Policyholders' dividends \$.....0 and coupons \$.....0 due and unpaid.....		
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$.....0 Modco).....		
6.2 Dividends not yet apportioned (including \$.....0 Modco).....		
6.3 Coupons and similar benefits (including \$.....0 Modco).....		
7. Amount provisionally held for deferred dividend policies not included in Line 6.....		
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$.....0 discount; including \$....2,229,521 accident and health premiums.....	2,299,521	2,768,911
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts.....		
9.2 Provision for experience rating refunds, including the liability of \$.....0 accident and health experience rating refunds of which \$.....0 is for medical loss ratio rebate per the Public Health Service Act.....		
9.3 Other amounts payable on reinsurance, including \$....2,121,714 assumed and \$.....0 ceded.....	2,121,714	5,264,100
9.4 Interest Maintenance Reserve.....	7,120,060	7,432,125
10. Commissions to agents due or accrued - life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0.....	456,666	241,523
11. Commissions and expense allowances payable on reinsurance assumed.....	1,704	5,613,168
12. General expenses due or accrued.....	3,755,624	3,382,271
13. Transfers to Separate Accounts due or accrued (net) (including \$.....0 accrued for expense allowances recognized in reserves, net of reinsured allowances).....		
14. Taxes, licenses and fees due or accrued, excluding federal income taxes.....	670,448	727,583
15.1 Current federal and foreign income taxes, including \$.....0 on realized capital gains (losses).....		
15.2 Net deferred tax liability.....		
16. Unearned investment income.....		
17. Amounts withheld or retained by company as agent or trustee.....	14,637	17,884
18. Amounts held for agents' account, including \$.....0 agents' credit balances.....		
19. Remittances and items not allocated.....	592,305	660,794
20. Net adjustment in assets and liabilities due to foreign exchange rates.....		
21. Liability for benefits for employees and agents if not included above.....		
22. Borrowed money \$.....0 and interest thereon \$.....0.....		
23. Dividends to stockholders declared and unpaid.....		
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve.....	1,010,031	974,111
24.02 Reinsurance in unauthorized and certified (\$.....0) companies.....		
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$.....0) reinsurers.....		
24.04 Payable to parent, subsidiaries and affiliates.....	2,084,612	836,466
24.05 Drafts outstanding.....		
24.06 Liability for amounts held under uninsured plans.....		
24.07 Funds held under coinsurance.....		
24.08 Derivatives.....		
24.09 Payable for securities.....		
24.10 Payable for securities lending.....		
24.11 Capital notes \$.....0 and interest thereon \$.....0.....		
25. Aggregate write-ins for liabilities.....	2,456,307	2,212,865
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25).....	166,141,500	204,040,242
27. From Separate Accounts statement.....		
28. Total liabilities (Lines 26 and 27).....	166,141,500	204,040,242
29. Common capital stock.....	5,640,000	5,640,000
30. Preferred capital stock.....		
31. Aggregate write-ins for other than special surplus funds.....	0	0
32. Surplus notes.....		
33. Gross paid in and contributed surplus.....	89,994,712	89,994,712
34. Aggregate write-ins for special surplus funds.....	0	0
35. Unassigned funds (surplus).....	(13,601,051)	(17,387,859)
36. Less treasury stock, at cost:		
36.10.000 shares common (value included in Line 29 \$.....0).....		
36.20.000 shares preferred (value included in Line 30 \$.....0).....		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.....0 in Separate Accounts Statement).....	76,393,661	72,606,853
38. Totals of Lines 29, 30 and 37.....	82,033,661	78,246,853
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3).....	248,175,161	282,287,095

DETAILS OF WRITE-INS

2501. Escheat.....	1,733,168	1,703,629
2502. Deferred Lease Liability.....	325,000	325,000
2503. Other Liabilities.....	398,139	184,236
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	2,456,307	2,212,865
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page.....	0	0
3199. Totals (Lines 3101 thru 3103 plus 3198) (Line 31 above).....	0	0
3401. SSAP 10R Additional Surplus.....		
3402. Subsidiary SSAP 10R Additional Surplus.....		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0
3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....	0	0

SUMMARY OF OPERATIONS

	1 Current Year to Date	2 Prior Year to Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts.....	66,400,803	27,860,106	(80,153,142)
2. Considerations for supplementary contracts with life contingencies.....			(452,887)
3. Net investment income.....	1,580,799	5,866,025	19,089,909
4. Amortization of Interest Maintenance Reserve (IMR).....	376,123	81,005	866,108
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....			
6. Commissions and expense allowances on reinsurance ceded.....	649,968	1,351,392	4,589,963
7. Reserve adjustments on reinsurance ceded.....			
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts.....			
8.2 Charges and fees for deposit-type contracts.....	104,346	425,455	17,463,491
8.3 Aggregate write-ins for miscellaneous income.....			
9. Totals (Lines 1 to 8.3).....	69,112,039	35,583,983	(38,596,558)
10. Death benefits.....		339,813	(1,007,606)
11. Matured endowments (excluding guaranteed annual pure endowments).....		774	121,994
12. Annuity benefits.....		2,002,958	2,860,656
13. Disability benefits and benefits under accident and health contracts.....	46,430,790	21,275,277	121,620,462
14. Coupons, guaranteed annual pure endowments and similar benefits.....		112	(102,380)
15. Surrender benefits and withdrawals for life contracts.....		4,004,567	11,698,407
16. Group conversions.....			
17. Interest and adjustments on contract or deposit-type contract funds.....	.71	.69,082	(4,502,888)
18. Payments on supplementary contracts with life contingencies.....		20,588	.50,907
19. Increase in aggregate reserves for life and accident and health contracts.....	.578,396	(3,299,359)	(245,746,068)
20. Totals (Lines 10 to 19).....	47,009,257	24,413,812	(115,006,516)
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only).....	4,793,786	5,652,175	22,077,614
22. Commissions and expense allowances on reinsurance assumed.....	4,147,148	797	5,615,654
23. General insurance expenses.....	6,598,212	2,992,443	16,238,848
24. Insurance taxes, licenses and fees, excluding federal income taxes.....	1,922,401	.753,225	4,932,243
25. Increase in loading on deferred and uncollected premiums.....	(84,601)	(6,701)	.88,044
26. Net transfers to or (from) Separate Accounts net of reinsurance.....			
27. Aggregate write-ins for deductions.....	.144	1,658,075	3,983,592
28. Totals (Lines 20 to 27).....	64,386,347	35,463,826	(62,070,521)
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	4,725,692	120,157	23,473,963
30. Dividends to policyholders.....		(942)	.11,988
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	4,725,692	121,099	23,461,975
32. Federal and foreign income taxes incurred (excluding tax on capital gains).....	.753,823	.512,097	58,093,886
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32).....	3,971,869	(390,998)	(34,631,911)
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$....(9,946) (excluding taxes of \$....34,493 transferred to the IMR).....	9,946	(38,085)	12,432,689
35. Net income (Line 33 plus Line 34).....	3,981,815	(429,083)	(22,199,222)

CAPITAL AND SURPLUS ACCOUNT

36. Capital and surplus, December 31, prior year.....	78,246,853	40,807,333	40,807,333
37. Net income (Line 35).....	3,981,815	(429,083)	(22,199,222)
38. Change in net unrealized capital gains (losses) less capital gains tax of \$....0.....	(372,528)	(208,777)	(4,584,014)
39. Change in net unrealized foreign exchange capital gain (loss).....			
40. Change in net deferred income tax.....	(472,294)	.409,595	59,994,348
41. Change in nonadmitted assets.....	709,809	2,939,830	(52,371,897)
42. Change in liability for reinsurance in unauthorized and certified companies.....			
43. Change in reserve on account of change in valuation basis, (increase) or decrease.....			
44. Change in asset valuation reserve.....	(35,920)	(455,390)	.204,651
45. Change in treasury stock.....			
46. Surplus (contributed to) withdrawn from Separate Accounts during period.....			
47. Other changes in surplus in Separate Accounts Statement.....			
48. Change in surplus notes.....			
49. Cumulative effect of changes in accounting principles.....			
50. Capital changes:			
50.1 Paid in.....			
50.2 Transferred from surplus (Stock Dividend).....			
50.3 Transferred to surplus.....			
51. Surplus adjustment:			
51.1 Paid in.....		.147,872	62,056,974
51.2 Transferred to capital (Stock Dividend).....			
51.3 Transferred from capital.....			
51.4 Change in surplus as a result of reinsurance.....	(24,074)	(58,112)	(224,053)
52. Dividends to stockholders.....			
53. Aggregate write-ins for gains and losses in surplus.....	.0	(2,045,429)	(5,437,267)
54. Net change in capital and surplus (Lines 37 through 53).....	3,786,808	.300,506	37,439,520
55. Capital and surplus as of statement date (Lines 36 + 54).....	.82,033,661	.41,107,839	78,246,853

DETAILS OF WRITE-INS

08.301. Interest on Agent's Balances.....	.67,781	.61,418	.225,945
08.302. Express Script Rebates.....	.18,603		.76,754
08.303. Other Miscellaneous Income.....	.17,768	.800	.63,394
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	.194	.363,237	.17,097,398
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	104,346	425,455	17,463,491
2701. Interest on Debt.....		.1,657,025	.3,982,331
2702. Penalties.....	.144	.1,050	.1,261
2703.			
2798. Summary of remaining write-ins for Line 27 from overflow page.....	.0	.0	.0
2799. Totals (Lines 2701 thru 2703 plus 2798) (Line 27 above).....	.144	1,658,075	3,983,592
5301. SSAP 10R Additional Surplus.....		(2,660,000)	(2,660,000)
5302. Subsidiary SSAP 10R Additional Surplus.....		(22,565)	(22,565)
5303. GALAC Contribution to GALAC Holding.....		.637,136	.637,136
5398. Summary of remaining write-ins for Line 53 from overflow page.....	.0	.0	(3,391,838)
5399. Totals (Lines 5301 thru 5303 plus 5398) (Line 53 above).....	.0	(2,045,429)	(5,437,267)

NOTES TO FINANCIAL STATEMENTS**Note 1 - Summary of Significant Accounting Policies**

a. Accounting Practices and Procedures

The financial statements of Loyal American Life Insurance Company ("LALIC" or "the Company") are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance.

The Ohio Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the State of Ohio for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Ohio Insurance Law. The National Association of Insurance Commissioners' ("NAIC") *Accounting Practices and Procedures* manual, ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Ohio.

Note 2 - Accounting Changes and Corrections of Errors

Effective January 1, 2013, the Company implemented SSAP No. 104, Share-Based Payments – Revised. The Company does not expect adoption of the new standard to result in a material impact on its net income or surplus.

Note 3 - Business Combinations and Goodwill

Not applicable.

Note 4 - Discontinued Operations

No significant change.

Note 5 - Investments**D. Loan Backed Securities**

- (1) There are no loan-backed securities with a recognized other-than-temporary impairment as of March 31, 2013.
- (2) There are no loan-backed and structured securities where the present value of cash flows expected to be collected is less than amortized cost basis.
- (3) As of March 31, 2013 loan-backed and structured securities with a decline in fair value from amortized cost were as follows, including the length of time of such decline:

a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$	10,157
2. 12 Months or Longer	\$	-

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$	792,255
2. 12 Months or Longer	\$	-

- (4) Management reviews loan-backed and structured securities with a decline in fair value from cost for impairment based on criteria that include:

- length of time and severity of decline;
- financial and specific near term prospects of the issuer;
- changes in the regulatory, economic or general market environment of the issuer's industry or geographic region; and the Company's intent to sell or the inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost.

E. Repurchase Agreements – No change.**F. Real Estate – None.****G. Investments in Low Income Housing Credits – None.****Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

Not applicable.

Note 7 - Investment Income

Not applicable.

Note 8 - Derivative Instruments

Not applicable.

NOTES TO FINANCIAL STATEMENTS**Note 9 - Income Taxes**

No significant change.

Note 10 - Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

f. The Company became a party to certain expense sharing, investment advisory and investment pooling agreements upon its sale to Cigna Corporation at charges not unfavorable to the Company or affiliates.

Note 11 - Debt

Not applicable.

Note 12 - Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No significant change.

Note 13 - Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

No significant change.

Note 14 - Contingencies

No significant change.

Note 15 - Leases

No significant change.

Note 16 - Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

Not applicable.

Note 17 - Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

C. The Company was not involved in any wash sale transactions in 2013.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Not applicable.

Note 19 - Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable.

Note 20 - Fair Value Measurements

A. The Company's financial assets measured at fair value include bonds valued at the lower of cost or fair value when reported at fair value at the balance sheet date. As of March 31, 2013 and December 31, 2012, the Company had no bonds carried at fair value in the financial statements.

Financial instruments (bonds) that are subject to fair value disclosure requirements are carried in the financial statements at amortized cost. The fair values used for financial instruments are estimates, which in many cases may differ significantly from the amounts, which could be realized upon immediate liquidation.

The Company's financial assets have been classified based upon a hierarchy defined by SAP. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a financial asset or liability carried at fair value would be classified in Level 3 if unobservable inputs were significant to the instrument's fair value, even though the measurement may be derived using inputs that are both observable (Levels 1 and 2) and unobservable (Level 3).

The Company estimates fair values of bonds using prices from third parties or internal pricing methods. Fair value estimates received from third-party pricing services are based on reported trade activity and quoted market prices when available and other market information that a market participant may use to estimate fair value. The internal pricing methods are performed by the Company's investment professionals, and generally involve using discounted cash flow analyses, incorporating current market

NOTES TO FINANCIAL STATEMENTS

inputs for similar financial instruments with comparable terms and credit quality, as well as other qualitative factors. In instances where there is little to no market activity for the same or similar instruments, the fair value is estimated using methods, models and assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price. These valuation techniques involve some level of estimation and judgment that becomes significant with increasingly complex instruments or pricing models.

B. Not applicable.

C. The following table provides the fair value, carrying value and classification in the fair value hierarchy of the Company's bonds not recorded at fair value as of March 31, 2013 December 31, 2012.

March 31, 2013

	Aggregate Fair Value	Admitted Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Practicable (Carrying Value)
<i>Financial assets</i>						
Bonds	\$ 188,061,358	\$ 178,149,292	\$ 4,243,758	\$ 183,025,344	\$ 792,255	\$ -
<i>December 31, 2012</i>						
	Aggregate Fair Value	Admitted Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Not Practicable (Carrying Value)
<i>Financial assets</i>						
Bonds	\$ 189,216,522	\$ 179,384,566	\$ -	\$ 189,216,522	\$ -	\$ -

D. Not applicable.

Note 21 - Other Items

No significant change.

Note 22 - Events Subsequent

Management has evaluated the financial statements for subsequent events through August 14, 2013, the date financial statements were available to be issued.

The Company paid extra-ordinary cash dividends of \$5,000,000 to its parent, Cigna Health and Life Insurance Company, on April 12, 2013 and July 18, 2013.

Note 23 - Reinsurance

No significant change.

Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination

Not applicable.

Note 25 - Change in Incurred Losses and Loss Adjustment Expenses

Reserves as of December 31, 2012 were \$79,858,824. As of March 31, 2013, \$50,272,985 has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are now \$23,219,524 as a result of re-estimation of unpaid claims and claim adjustment expenses principally on Medicare supplement and cancer expense lines of insurance. Therefore, there has been a \$6,366,315 favorable prior year development since December 31, 2012 to March 31, 2013. The decrease is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

Note 26 - Intercompany Pooling Arrangements

Not applicable.

Note 27 - Structured Settlements

Not applicable.

NOTES TO FINANCIAL STATEMENTS

Note 28 - Health Care Receivables

Not applicable.

Note 29 - Participating Policies

No significant change.

Note 30 - Premium Deficiency Reserves

Not applicable.

Note 31 - Reserves for Life Contracts and Annuity Contracts

No significant change.

Note 32 - Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics

No significant change.

Note 33 - Premiums and Annuity Considerations Deferred and Uncollected

No significant change.

Note 34 - Separate Accounts

Not applicable.

Note 35 - Loss/Claim Adjustment Expenses

No significant change.

Loyal American Life Insurance Company
GENERAL INTERROGATORIES (continued)

PART 2 - LIFE & HEALTH

1. Report the statement value of mortgage loans at the end of this reporting period for the following categories:

	Amount
1.1 Long-term mortgages in good standing	
1.11 Farm mortgages.....	\$.....
1.12 Residential mortgages.....	\$.....
1.13 Commercial mortgages.....	\$.....
1.14 Total mortgages in good standing.....	\$..... 0
1.2 Long-term mortgages in good standing with restructured terms	
1.21 Total mortgages in good standing with restructured terms.....	\$.....
1.3 Long-term mortgage loans upon which interest is overdue more than three months	
1.31 Farm mortgages.....	\$.....
1.32 Residential mortgages.....	\$.....
1.33 Commercial mortgages.....	\$.....
1.34 Total mortgages with interest overdue more than three months.....	\$..... 0
1.4 Long-term mortgage loans in process of foreclosure	
1.41 Farm mortgages.....	\$.....
1.42 Residential mortgages.....	\$.....
1.43 Commercial mortgages.....	\$.....
1.44 Total mortgages in process of foreclosure.....	\$..... 0
1.5 Total mortgage loans (Lines 1.14 + 1.21 + 1.34 + 1.44) (Page 2, Column 3, Lines 3.1 + 3.2)	\$..... 0
1.6 Long-term mortgages foreclosed, properties transferred to real estate in current quarter	
1.61 Farm mortgages.....	\$.....
1.62 Residential mortgages.....	\$.....
1.63 Commercial mortgages.....	\$.....
1.64 Total mortgages foreclosed and transferred to real estate.....	\$..... 0
2. Operating Percentages:	
2.1 A&H loss percent.....	67.1
2.2 A&H cost containment percent.....
2.3 A&H expense percent excluding cost containment expenses.....	22.0
3.1 Do you act as a custodian for health savings accounts?.....	Yes [] No [X]
3.2 If yes, please provide the amount of custodial funds held as of the reporting date.....	\$.....
3.3 Do you act as an administrator for health savings accounts?.....	Yes [] No [X]
3.4 If yes, please provide the balance of the funds administered as of the reporting date.....	\$.....