

## AMENDED FILING EXPLANATION

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Amending pages 2, 3, 4, 5 and 7 for correction to 2017 federal income taxes to mirror the 2017 Audited Financial Statement Balance Sheets and Statement of Cash Flows.



# QUARTERLY STATEMENT

As of March 31, 2018  
of the Condition and Affairs of the

## United Benefit Life Insurance Company

NAIC Group Code.....0901, 0901 (Current Period) (Prior Period)	NAIC Company Code..... 65269	Employer's ID Number.... 75-2305400
Organized under the Laws of OH	State of Domicile or Port of Entry OH	Country of Domicile US
Incorporated/Organized..... June 26, 1957	Commenced Business..... August 13, 1957	
Statutory Home Office	1300 East Ninth Street .. Cleveland .. OH .. US .. 44114 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	11200 Lakeline Blvd Ste 100 .. Austin .. TX .. US .. 78717 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	512-451-2224 <i>(Area Code) (Telephone Number)</i>
Mail Address	11200 Lakeline Blvd Ste 100 .. Austin .. TX .. US .. 78717 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	11200 Lakeline Blvd Ste 100 .. Austin .. TX .. US .. 78717 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	512-451-2224 <i>(Area Code) (Telephone Number)</i>
Internet Web Site Address		
Statutory Statement Contact	Renee Wilkins Feldman <i>(Name)</i> CSBFinRpt@cigna.com <i>(E-Mail Address)</i>	(512) 531-1465 <i>(Area Code) (Telephone Number) (Extension)</i> 512-467-1399 <i>(Fax Number)</i>

### OFFICERS

Name	Title	Name	Title
1. Stephen Burnett Jones	President	2. Byron Keith Buescher	Treasurer and Chief Accounting Officer
3. Anna Krishtul	Secretary	4. Susan Eadaoine Buck	Appointed Actuary
Gregory John Czar	Executive Vice President and Chief Financial Officer	David Lawrence Chambers	Vice President-Sales and Marketing
Mark Fleming	Vice President and Assistant Treasurer	Joanne Ruth Hart	Vice President and Assistant Treasurer
Ryan Bruce McGoarty	Vice President	Scott Ronald Lambert	Vice President and Assistant Treasurer
Maureen Hardiman Ryan	Vice President and Assistant Treasurer	Man-Kit Simon Tang	Vice President and Chief Actuary

### OTHER

### DIRECTORS OR TRUSTEES

Gregory John Czar Frank Sataline, Jr.	Brian Case Evanko James Yablecki	Stephen Burnett Jones	Ryan Bruce McGoarty
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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) Stephen Burnett Jones 1. (Printed Name) President (Title)	_____ (Signature) Byron Keith Buescher 2. (Printed Name) Treasurer and Chief Accounting Officer (Title)	_____ (Signature) Anna Krishtul 3. (Printed Name) Secretary (Title)
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Subscribed and sworn to before me  
This \_\_\_\_\_ day of \_\_\_\_\_ 2018

a. Is this an original filing? Yes [ ] No [ x ]  
b. If no: 1. State the amendment number \_\_\_\_\_  
2. Date filed \_\_\_\_\_  
3. Number of pages attached \_\_\_\_\_

**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.....	2,587,782		2,587,782	2,588,568
2. Stocks:				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....			0	
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 (\$....329,980), cash equivalents (\$.....0) and short-term investments (\$....52,914).....	382,894		382,894	598,795
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives.....			0	
8. Other invested assets.....			0	
9. Receivables for securities.....			0	
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).....	2,970,676	0	2,970,676	3,187,363
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	21,787		21,787	16,561
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....			0	
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) and contracts subject to redetermination (\$.....0).....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....			0	
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....	231,437		231,437	
18.2 Net deferred tax asset.....			0	
19. Guaranty funds receivable or on deposit.....	791		791	482
20. Electronic data processing equipment and software.....			0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....			0	
24. Health care (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other than invested assets.....	2	2	0	0
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	3,224,693	2	3,224,691	3,204,406
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. Total (Lines 26 and 27).....	3,224,693	2	3,224,691	3,204,406

**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. Premium Tax Refund.....	2	2	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).....	2	2	0	0

**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).....		
3. Liability for deposit-type contracts (including \$.....0 Modco Reserve).....		
4. Contract claims:		
4.1 Life.....		
4.2 Accident and health.....		
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 \$.....0 accident and health premiums.....		
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 \$.....0 assumed and \$.....0 ceded.....		
9.4 Interest Maintenance Reserve.....	37,468	38,354
10. Commissions to agents due or accrued - life and annuity contracts \$.....0, accident and health \$.....0 and deposit-type contract funds \$.....0.....		
11. Commissions and expense allowances payable on reinsurance assumed.....		
12. General expenses due or accrued.....	556	857
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.....	4,813	3,200
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.....		
18. Amounts held for agents' account, including \$.....0 agents' credit balances.....		
19. Remittances and items not allocated.....		
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.....		
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.....	48,388	239,765
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.....	0	0
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25).....	91,225	282,176
27. From Separate Accounts statement.....		
28. Total liabilities (Lines 26 and 27).....	91,225	282,176
29. Common capital stock.....	1,500,000	1,500,000
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.....	18,820,665	18,820,665
34. Aggregate write-ins for special surplus funds.....	0	0
35. Unassigned funds (surplus).....	(17,187,199)	(17,398,435)
36. Less treasury stock, at cost:		
36.1 .....0.000 shares common (value included in Line 29 \$.....0).....		
36.2 .....0.000 shares preferred (value included in Line 30 \$.....0).....		
37. Surplus (Total Lines 31 + 32 + 33 + 34 + 35 - 36) (including \$.....0 in Separate Accounts Statement).....	1,633,466	1,422,230
38. Totals of Lines 29, 30 and 37.....	3,133,466	2,922,230
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3).....	3,224,691	3,204,406

**DETAILS OF WRITE-INS**

2501. ....		
2502. ....		
2503. ....		
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).....	0	0
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. ....		
3402. ....		
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.....			
2. Considerations for supplementary contracts with life contingencies.....			
3. Net investment income.....	12,525	12,144	50,011
4. Amortization of Interest Maintenance Reserve (IMR).....	886	810	3,240
5. Separate Accounts net gain from operations excluding unrealized gains or losses.....			
6. Commissions and expense allowances on reinsurance ceded.....			
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.....			
8.3 Aggregate write-ins for miscellaneous income.....	1,713	2,383	8,514
9. Totals (Lines 1 to 8.3).....	15,124	15,337	61,765
10. Death benefits.....			
11. Matured endowments (excluding guaranteed annual pure endowments).....			
12. Annuity benefits.....			
13. Disability benefits and benefits under accident and health contracts.....			
14. Coupons, guaranteed annual pure endowments and similar benefits.....			
15. Surrender benefits and withdrawals for life contracts.....			
16. Group conversions.....			
17. Interest and adjustments on contract or deposit-type contract funds.....			
18. Payments on supplementary contracts with life contingencies.....			
19. Increase in aggregate reserves for life and accident and health contracts.....			
20. Totals (Lines 10 to 19).....	0	0	0
21. Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only).....			
22. Commissions and expense allowances on reinsurance assumed.....			
23. General insurance expenses.....	7,809	8,580	38,999
24. Insurance taxes, licenses and fees, excluding federal income taxes.....	27,466	28,875	46,551
25. Increase in loading on deferred and uncollected premiums.....			
26. Net transfers to or (from) Separate Accounts net of reinsurance.....			
27. Aggregate write-ins for deductions.....	50	0	281
28. Totals (Lines 20 to 27).....	35,325	37,455	85,831
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28).....	(20,201)	(22,118)	(24,066)
30. Dividends to policyholders.....			
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30).....	(20,201)	(22,118)	(24,066)
32. Federal and foreign income taxes incurred (excluding tax on capital gains).....	(231,437)		
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).....	211,236	(22,118)	(24,066)
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$.....0 (excluding taxes of \$.....0 transferred to the IMR).....			
35. Net income (Line 33 plus Line 34).....	211,236	(22,118)	(24,066)
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year.....	2,922,230	2,945,947	2,945,947
37. Net income (Line 35).....	211,236	(22,118)	(24,066)
38. Change in net unrealized capital gains (losses) less capital gains tax of \$.....0.....			
39. Change in net unrealized foreign exchange capital gain (loss).....			
40. Change in net deferred income tax.....			
41. Change in nonadmitted assets.....			(2)
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)	351
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.....			
51.2 Transferred to capital (Stock Dividend).....			
51.3 Transferred from capital.....			
51.4 Change in surplus as a result of reinsurance.....			
52. Dividends to stockholders.....			
53. Aggregate write-ins for gains and losses in surplus.....	0	0	0
54. Net change in capital and surplus (Lines 37 through 53).....	211,236	(22,153)	(23,717)
55. Capital and surplus as of statement date (Lines 36 + 54).....	3,133,466	2,923,794	2,922,230
<b>DETAILS OF WRITE-INS</b>			
08.301. Miscellaneous Income.....	1,713	2,383	8,514
08.302. ....			
08.303. ....			
08.398. Summary of remaining write-ins for Line 8.3 from overflow page.....	0	0	0
08.399. Totals (Lines 08.301 thru 08.303 plus 08.398) (Line 8.3 above).....	1,713	2,383	8,514
2701. Penalties.....	50		281
2702. ....			
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).....	50	0	281
5301. ....			
5302. ....			
5303. ....			
5398. Summary of remaining write-ins for Line 53 from overflow page.....	0	0	0
5399. Totals (Lines 5301 thru 5303 plus 5398) (Line 53 above).....	0	0	0

## CASH FLOW

	1 Current Year to Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>CASH FROM OPERATIONS</b>			
1. Premiums collected net of reinsurance.....			
2. Net investment income.....	8,085	23,962	52,681
3. Miscellaneous income.....	1,713	2,383	8,514
4. Total (Lines 1 through 3).....	9,798	26,345	61,195
5. Benefit and loss related payments.....			
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			
7. Commissions, expenses paid and aggregate write-ins for deductions.....	29,699	35,451	85,025
8. Dividends paid to policyholders.....			
9. Federal and foreign income taxes paid (recovered) net of \$.....0 tax on capital gains (losses).....	196,000		
10. Total (Lines 5 through 9).....	225,699	35,451	85,025
11. Net cash from operations (Line 4 minus Line 10).....	(215,901)	(9,106)	(23,830)
<b>CASH FROM INVESTMENTS</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds.....			
12.2 Stocks.....			
12.3 Mortgage loans.....			
12.4 Real estate.....			
12.5 Other invested assets.....			
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....			
12.7 Miscellaneous proceeds.....			
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	0	0	0
13. Cost of investments acquired (long-term only):			
13.1 Bonds.....			55,926
13.2 Stocks.....			
13.3 Mortgage loans.....			
13.4 Real estate.....			
13.5 Other invested assets.....			
13.6 Miscellaneous applications.....			
13.7 Total investments acquired (Lines 13.1 to 13.6).....	0	0	55,926
14. Net increase or (decrease) in contract loans and premium notes.....			
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....	0	0	(55,926)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes.....			
16.2 Capital and paid in surplus, less treasury stock.....			
16.3 Borrowed funds.....			
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....			
16.5 Dividends to stockholders.....			
16.6 Other cash provided (applied).....			238,000
17. Net cash from financing and miscellaneous sources (Lines 16.1 through 16.4 minus Line 16.5 plus Line 16.6).....	0	0	238,000
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	(215,901)	(9,106)	158,244
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year.....	598,795	440,551	440,551
19.2 End of period (Line 18 plus Line 19.1).....	382,894	431,445	598,795

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001 .....			
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**NOTES TO FINANCIAL STATEMENTS****Note 1 - Summary of Significant Accounting Policies****A. Accounting Practices and Procedures**

The financial statements of United Benefit Life Insurance Company ("UBLIC" 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 and the Company has not adopted any accounting practices that are different from NAIC SAP.

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed and permitted by the State of Ohio is shown below:

	SSAP#	F/S Page	F/S Line #	2018	2017
Net Income					
1) United Benefit Life Insurance Company state basis (Page 4, Line 35, Columns 1 & 3)	XXX	XXX	XXX	\$ 211,236	\$ (24,066)
2) State Prescribed Practices that increase/decrease NAIC SAP				-	-
3) State Permitted Practices that increase/decrease NAIC SAP				-	-
4) NAIC SAP (1 - 2 - 3 = 4)	XXX	XXX	XXX	\$ 211,236	\$ (24,066)
Surplus					
5) United Benefit Life Insurance Company state basis (Page 3, line 38, Columns 1 & 2)	XXX	XXX	XXX	\$ 3,133,466	\$ 2,922,230
6) State Prescribed Practices that increase/decrease NAIC SAP				-	-
7) State Permitted Practices that increase/decrease NAIC SAP				-	-
8) NAIC SAP (5 - 6 - 7 = 8)	XXX	XXX	XXX	\$ 3,133,466	\$ 2,922,230

**B. Use of Estimates in the Preparation of the Financial Statements**

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**C. Accounting Policy**

- (6) **Loan-Backed Securities.** Loan-backed bonds and structured securities are valued at amortized cost using the constant level yield method. Significant changes in estimated cash flows from the original purchase assumptions are accounted for generally using the retrospective adjustment method. Significant changes in estimated cash flows from the original purchase assumptions for loan-backed and structured securities that have potential for loss of a significant portion of the original investment are accounted for using the prospective method. These securities are presented on the balance sheet as bonds.

Prepayment assumptions for loan-backed and other structured securities were obtained from external financial data sources. These assumptions are consistent with the current interest rate and economic environment.

When the Company determines it does not expect to recover the amortized cost basis of loan-backed or structured securities with declines in fair value (even if it does not intend to sell and has the intent and ability to hold), the non-interest portion of the impairment loss is recognized in realized investment losses. The non-interest portion is the difference between the amortized cost basis of the loan-backed or structured security and the net present value of its expected future cash flows. Expected future cash flows are based on assumptions about the collateral attributes, including prepayment speeds, default rates and changes in value.

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## **NOTES TO FINANCIAL STATEMENTS**

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D. Going Concern

In accordance with SSAP No. 1, "Accounting Policies, Risks and Uncertainties, and Other Disclosures," management has made an evaluation of the Company's ability to continue as a going concern, including such factors as its current financial position, recent earnings and cash flow trends and projections, liquidity and capital requirements, readily available sources of liquidity and such other factors deemed by management to be appropriate under the circumstances. As a result of management's evaluation, no conditions, events or trends have been identified that causes substantial doubt as to the ability of the Company to continue as a going concern and, accordingly, the accompanying financial statements have been prepared on the going concern basis.

**Note 2 - Accounting Changes and Corrections of Errors**

Not applicable.

**Note 3 - Business Combinations and Goodwill**

Not applicable.

**Note 4 - Discontinued Operations**

Not applicable.

**Note 5 - Investments**

D. Loan Backed Securities

- (1) Prepayment assumptions for loan-backed and other structured securities were obtained from external financial data sources. These assumptions are consistent with the current interest rate and economic environment.
- (2) The Company had no loan-backed and structured securities with recognized other-than-temporary impairments where the Company had the intent to sell or does not have the intent and ability to retain the investment for a period of time sufficient to recover the amortized cost basis as of March 31, 2018.
- (3) The Company had no loan-backed and structured securities with recognized other-than-temporary impairments where the present value of cash flow expected to be collected is less than the amortized cost basis as of March 31, 2018.
- (4) There were no loan-backed and structured securities with a fair value lower than amortized cost as of March 31, 2018.
- (5) 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.
  - 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 – R Not applicable.

**Note 6 - Joint Ventures, Partnerships and Limited Liability Companies**

Not applicable.

**Note 7 - Investment Income**

No significant changes.

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## NOTES TO FINANCIAL STATEMENTS

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### **Note 8 - Derivative Instruments**

Not applicable.

### **Note 9 - Income Taxes**

No significant changes.

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

No significant changes.

### **Note 11 - Debt**

Not applicable.

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

No significant changes.

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

No significant changes.

### **Note 14 - Contingencies**

Other Legal Matters

In the normal course of its business operations, the Company is involved in litigation and other regulatory matters from time to time with claimants, beneficiaries, and other parties. When the Company, in the normal course of its regular review of such matters has determined that a material loss is reasonably possible, the matter is disclosed. In accordance with Statutory Accounting Principles, when litigation or other regulatory matters result in loss contingencies that are both probable and estimable, the Company accrues the estimated loss by a charge to operations. The amount accrued represents management's best estimate of the probable loss at the time. If only a range of estimated losses can be determined, the Company accrues an amount within the range that, in management's judgment, reflects the most likely outcome. If none of the estimates within the range is a better estimate than any other amount, the Company accrues the mid-point of the range.

Management does not believe that litigation or other matters currently pending against the Company, including the litigation between Cigna and Anthem discussed below, would have a material adverse effect on the Company's results of operations, financial condition or liquidity based on its current knowledge of those matters.

***Litigation with Anthem.*** In February, 2017, Cigna delivered a notice to Anthem terminating the merger agreement, and notifying Anthem that it must pay Cigna the \$1.85 billion reverse termination fee pursuant to the terms of the merger agreement. Also in February, 2017, Cigna filed suit against Anthem in the Delaware Court of Chancery (the "Chancery Court") seeking declaratory judgments that Cigna's termination of the merger agreement was valid and that Anthem was not permitted to extend the termination date. The complaint also sought payment of the reverse termination fee and additional damages in an amount exceeding \$13 billion, including the lost premium value to Cigna's shareholders caused by Anthem's willful breaches of the merger agreement.

Also, in February, 2017, Anthem filed a lawsuit in the Chancery Court against Cigna seeking (i) a temporary restraining order to enjoin Cigna from terminating and taking any action contrary to the terms of the merger agreement, (ii) specific performance compelling Cigna to comply with the merger agreement and (iii) damages.

On February 15, 2017, the Chancery Court granted Anthem's motion for a temporary restraining order and temporarily enjoined Cigna from terminating the merger agreement. In May, 2017, the Chancery Court denied Anthem's motion for a preliminary injunction to enjoin Cigna from terminating the merger agreement but stayed its ruling pending Anthem's determination as to whether to seek an appeal. Anthem subsequently notified Cigna and the Chancery Court that it did not intend to appeal the Chancery Court's decision. As a result, the merger agreement was terminated.

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## **NOTES TO FINANCIAL STATEMENTS**

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The litigation between the parties remains pending. Trial is scheduled for 2019. Cigna believes in the merits of their claims and dispute Anthem's claims, and intends to vigorously defend themselves and pursue their claims. The outcomes of lawsuits are inherently unpredictable, and Cigna may be unsuccessful in the ongoing litigation or any future claims or litigation.

### **Note 15 - Leases**

Not applicable.

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

No significant changes.

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

- B. Transfer and Servicing of Financial Assets – Not applicable
- C. The company was not involved in any wash sale transactions in 2018.

### **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. Fair Value Measurements**

Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date. 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).

- Level 1      Inputs for instruments classified in Level 1 include unadjusted quoted prices for identical assets in active markets accessible at the measurement date. Active markets provide pricing data for trades occurring at least weekly and include exchanges and dealer markets.
- Level 2      Inputs for instruments classified in Level 2 include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are market observable or can be corroborated by market data for the term of the instrument. Such other inputs include market interest rates and volatilities, spreads and yield curves. An instrument is classified in Level 2 if the Company determines that unobservable inputs are insignificant. Level 2 assets primarily include corporate bonds valued using recent trades of similar securities or pricing models that discount future cash flows at estimated market interest rates.
- Level 3      Certain inputs for instruments classified in Level 3 are unobservable (supported by little or no market activity) and significant to their resulting fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

1. **Fair Value Measurements at Reporting Date – None**

**NOTES TO FINANCIAL STATEMENTS**

2. **Fair Value Measurements in Level 3 of the Fair Value Hierarchy** – None
3. **Level 3 Transfers** – None
4. **Valuation Techniques and Inputs** – No financial instruments at fair value

**B. Other Fair Value Disclosures - None****C. Aggregate Fair Value of All Financial Instruments**

The following tables provide the fair value, carrying value, and classification in the fair value hierarchy of the Company's financial instruments as of March 31, 2018 and December 31, 2017.

Financial Assets	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)	Net Asset Value (NAV) Included in Level 2
<b>March 31, 2018</b>							
Bonds	\$ 2,537,429	\$ 2,587,782	\$ 2,537,429	\$ -	\$ -	\$ -	\$ -
Cash, Cash Equivalents, and Short-Term Investments	382,894	382,894	329,980	52,914	-	-	-
Total	<u>\$ 2,920,323</u>	<u>\$ 2,970,676</u>	<u>\$ 2,867,409</u>	<u>\$ 52,914</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>December 31, 2017</b>							
Bonds	\$ 2,569,545	\$ 2,588,568	\$ 2,569,545	\$ -	\$ -	\$ -	\$ -
Cash, Cash Equivalents, and Short-Term Investments	598,795	598,795	346,828	251,967	-	-	-
Total	<u>\$ 3,168,340</u>	<u>\$ 3,187,363</u>	<u>\$ 2,916,373</u>	<u>\$ 251,967</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The following valuation methodologies and significant assumptions are used by the Company to determine fair value for each instrument.

**Bonds**

The Company estimates fair values 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. Such other inputs include market interest rates and volatilities, spreads, and yield curves. The internal pricing methods are performed by the Company's investment professionals and generally involve using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality, as well as other qualitative factors. In instances where there is little or 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.

**Cash, Cash Equivalents, and Short-Term Investments**

Short-term investments and cash equivalents are carried at fair value which approximates cost, and are classified in Level 2. Given the nature of cash, fair value approximates carrying value and is classified in Level 1.

**D. Disclosures about Financial Instruments Not Practicable to Estimate Fair Value – None****Note 21 - Other Items**

No significant changes.

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 22 - Events Subsequent**

Management has evaluated the financial statements for subsequent events through May 14, 2018, the date financial statements were available to be issued.

### **Note 23 - Reinsurance**

No significant changes.

### **Note 24 - Retrospectively Rated Contracts & Contracts Subject to Redetermination**

Not applicable.

### **Note 25 - Change in Incurred Losses and Loss Adjustment Expenses**

Not applicable.

### **Note 26 - Intercompany Pooling Arrangements**

Not applicable.

### **Note 27 - Structured Settlements**

Not applicable.

### **Note 28 - Health Care Receivables**

Not applicable.

### **Note 29 - Participating Policies**

Not applicable.

### **Note 30 - Premium Deficiency Reserves**

Not applicable.

### **Note 31 - Reserves for Life Contracts and Annuity Contracts**

Not applicable.

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

Not applicable.

### **Note 33 - Premiums and Annuity Considerations Deferred and Uncollected**

Not applicable.

### **Note 34 - Separate Accounts**

Not applicable.

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 35 - Loss/Claim Adjustment Expenses**

Not applicable.