

REPORT ON EXAMINATION

OF

**CIGNA WORLDWIDE INSURANCE COMPANY
(Property & Casualty)**

AS OF

DECEMBER 31, 2004

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2004 of the

CIGNA WORLDWIDE INSURANCE COMPANY (P&C)

is a true and correct copy of the document filed with this Department.

ATTEST BY: *Antoinette Handy*

DATE: 20 JUNE 2006



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 20TH DAY OF JUNE 2006.

Matthew Denn
Insurance Commissioner

REPORT ON EXAMINATION
OF THE
CIGNA WORLDWIDE INSURANCE COMPANY (P&C)
AS OF
December 31, 2004

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matt Denn", written over a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 20TH Day of JUNE 2006.

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February 24, 2006

SALUTATION

Honorable Matthew Denn
Insurance Commissioner
State of Delaware, Insurance Department
841 Silver Lake Boulevard
Dover, Delaware 19904
Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 05.007, an Association examination has been made of the affairs, financial condition and management of the

CIGNA WORLDWIDE INSURANCE COMPANY

hereinafter referred to as "Company" or "CWWIC", incorporated under the laws of the State of Delaware as a stock company with its home office located at One Beaver Valley Road, Wilmington, Delaware 19803. The examination was conducted at the main administrative office of the Company, located at 590 Naamans Road, Claymont, Delaware 19703.

The report of such examination of the Property and Casualty operations of CWWIC is submitted herewith. A separate report of examination will be submitted for the Company's life operations.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2000. This examination covered the period from January 1, 2001 through December 31, 2004, and consisted of a general survey of the Company's business policies and practices, management, any corporate matters incident thereto, a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

This report is presented on the exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. The text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible Company officials during the course of the examination.

The general procedures of the examination followed the rules established by the National Association of Insurance Commissioners' (NAIC) Committee on Financial Condition Examiners Handbook, and generally accepted statutory insurance examination standards.

In addition to items hereinafter incorporated as part of the written report, the following were checked and made part of the workpapers of this examination:

- Corporate Insurance
- Corporate Records
- Conflict of Interest
- Subsequent Events
- All assets and liability items not mentioned

The Company is permitted to write both life-health and property-casualty business. This "dual charter" requires the filing of a separate Annual Statement for each type of business. The life-health and property-casualty operations or "divisions" of the Company were examined concurrently with separate reports being issued for each division.

HISTORY

The Company was incorporated on August 10, 1976, under the laws of the State of Delaware as a stock insurance company having perpetual existence. The name of the Company was INA Insurance Company of America. On May 17, 1978, the name of the Company was

changed to INA International Insurance Company. The Company commenced operations on May 17, 1979. On August 7, 1984, the current name, CIGNA Worldwide Insurance Company, was adopted.

From inception until December 31, 1995, all of the Company's outstanding common stock was owned by CIGNA Reinsurance Company. Since that date the stock ownership has been transferred three (3) times: on December 31, 1995 it was transferred to INA Corporation; on May 31, 1996 it was transferred to CIGNA International Holdings, LTD; and on July 2, 1999 it was transferred to CIGNA Global Reinsurance Company, Ltd. (Bermuda), the Company's direct parent as of the December 31, 2004 examination date.

All three (3) transfers of CWWIC's common stock were within the same Holding Company System. At no time was the Company ultimate control maintained outside of the CIGNA Corporation Holding Company System. (see "Holding Company System" below).

In late 1999, all of the CWWIC's existing Property & Casualty business was sold to a subsidiary of ACE Limited via a Loss Portfolio Transfer Agreement. As of the December 31, 2004, the Property and Casualty division of CWWIC was a shell company (see "Territory & Plan of Operation" for additional details).

MANAGEMENT AND CONTROL

The Company's bylaws, as most recently amended on July 15, 1996, state that the business and affairs shall be managed by a Board of Directors consisting of one (1) or more members. The Directors shall be elected at the annual meeting of the stockholders and shall hold office until a successor is elected and qualified. It is not necessary for the Directors to be stockholders.

The following, elected by unanimous vote of the Stockholder at the annual meeting held on June 30, 2000, constitute the Board of Directors as of December 31, 2004:

| <u>Name of Director</u> | <u>Principal Business Affiliation</u> |
|-------------------------|---|
| Richard H. Forde | Chief Investment Officer |
| David S. Scheibe | Treasury Senior Director |
| Alan L. May | Retired |
| Terry L. Kendall | President of CIGNA International |
| Jean H. Walker | Senior VP and CFO of CIGNA Retirement & Investment Services |

As provided in the bylaws, the Company maintained two (2) committees of the Board of Directors as of December 31, 2004. As of that date, the following comprised the two (2) committees:

| <u>Executive</u> | <u>Investment</u> |
|----------------------------|----------------------------|
| David S. Scheibe- Chairman | Richard H. Forde- Chairman |
| Terry Kendall | Jean H. Walker |

The bylaws, as amended, state that the officers of the Company shall include a President, and a Secretary. The Board of Directors may also appoint a Chairman and a Vice Chairman of the Board and may also choose one or more Vice Presidents, Assistant Secretaries, a Treasurer and one or more Assistant Treasurers.

The following were elected by unanimous vote of the Board of Directors at the meeting held in June 2004, as the key officers of the Company and were serving as such at December 31, 2004:

| <u>Officer</u> | <u>Position</u> |
|------------------|---------------------------------------|
| David S. Scheibe | President & Treasurer |
| Susan L. Cooper | Corporate Secretary |
| Allan R. Santos | Chief Actuary |
| Johan M. De Jong | Senior Vice President & Chief Counsel |

| | |
|----------------------|--|
| Andrew J. Mellen | Senior Vice President |
| Jonathan D. Hatch | Vice President & Assistant General Counsel |
| Joseph J. Urbanski | Vice President & Controller |
| Gustavo Giraldo | Vice President |
| Shirley M. Puccino | Vice President |
| Stephen C. Stachelek | Vice President |

HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System. The ultimate parent of the system is CIGNA Corporation, a Delaware Corporation. The CIGNA group of companies is a leading provider of insurance and related financial services throughout the United States and around the world. As of December 31, 2004, the ultimate parent reported the following financial data:

| | |
|---------------------------|------------------|
| Total Assets | \$81,059,000,000 |
| Total Revenues 2004 | \$18,176,000,000 |
| Net Operating Income 2004 | \$1,438,000,000 |
| Shareholders' Equity | \$5,203,000,000 |

In compliance with Regulation 13 and Chapter 50 of Title 18 of the Delaware Insurance Code, the Insurance Holding Company System Registration Statement was filed with the State of Delaware Insurance Department during each year under review.

The following is an organizational chart, which reflects the identities of the Company, its parents and subsidiaries as of December 31, 2004:

CIGNA Corporation

CIGNA Investment Group, Inc.

CIGNA Global Holdings, Inc.

CIGNA Global Reinsurance Company, LTD.

CIGNA WORDWIDE INSURANCE COMPANY

Cigna Global Insurance Company Limited (Guernsey – 99.9999% interest)

PT Asuransi CIGNA (Indonesia – 80% interest)

MANAGEMENT AND SERVICE AGREEMENTS

The Company participates in the consolidated federal income tax return of CIGNA Corporation and its subsidiaries (which includes CWWIC). Federal Income Tax Provisions are calculated as if the Company were filing a separate federal income tax return, except that benefits arising from foreign tax credits and net operating results are allocated to those subsidiaries producing such attributes.

The most recent amendment to the agreement occurred on January 1, 1997. The amendment pertained to timing and the rounding of payments and refunds. The agreement provides for regular and timely settlement of Intercompany tax balances.

The examination review of intercompany transactions uncovered the fact that CWWIC does not maintain any employees. The day-to-day operations of the Company are handled by various employees of CIGNA International (domestic administrative operations only) and other CIGNA Corporation subsidiaries such as Connecticut General Insurance Company. It was uncovered that no intercompany service/management agreement(s) are in place with regards to the day-to-day services provided by any CIGNA companies to CWWIC (this was also noted during the prior examination). This is a violation of Delaware Insurance Code, Section 5005 (a)(2)d, which states that "all management agreements, service contracts and all cost-sharing arrangements" are to be filed with the Commissioner for review and approval at least 30 days prior to entering into such transactions. Therefore,

It is again recommended that the Company comply with Delaware Insurance Code, Section 5005 (a)(2)d, and enter into written agreement(s) with all applicable affiliated companies who provide services to CWWIC. It is further recommended that the Company file these agreement(s) with the Delaware Insurance Department for its review in accordance with the Delaware Insurance Code.

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements:

| <u>Year</u> | <u>Admitted Assets</u> | <u>Policyholders' Surplus</u> | <u>Gross Premiums Written</u> | <u>Net Premiums Written</u> | <u>Net Income</u> |
|-------------|----------------------------|-----------------------------------|---------------------------------------|-------------------------------------|-------------------|
| 2004 | \$4,738,513 | \$4,738,513 | \$0 | \$0 | \$(35,700) |
| 2003 | 4,774,213 | 4,774,213 | (| 0 | (55,300) |
| 2002 | 4,788,513 | 4,777,513 | (| 0 | 0 |
| 2001 | 4,788,513 | 4,777,513 | (| 0 | 126,028 |
| 2000 | 5,260,835 | 5,220,485 | (| 0 | 0 |

As indicated, the Company has been dormant during the entire examination period.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is only licensed domestically in the State of Delaware and internationally in Hong Kong. The Company is permitted to write both Life and Health and Property and Casualty business. This "dual charter" requires the filing of separate Annual Statements for each type of business.

During 2004 the Company reported \$0 premiums written and \$0 premiums earned applicable to its Property and Casualty operations. This is the result of the discontinuance of underwriting operations along with a portfolio transfer of the Company's Ecuador branch business to a subsidiary of ACE, Limited, which occurred during the prior examination period. Subsequent to this transfer the Company's operations have been dormant.

Subsequent Event: The Company intends to relinquish its Property and Casualty license by year-end 2005. Subsequent to December 31, 2005, it is anticipated that the Company will no

longer be required to file any statutory financial statements and will no longer be subject to future financial examination.

REINSURANCE

The Company maintained no reinsurance of any kind as of the December 31, 2004 examination date or subsequent thereto.

ACCOUNTS AND RECORDS

The accounts and records of the Company were reviewed and found to be in order.

FINANCIAL STATEMENTS

The following statements show the assets, liabilities, surplus and other funds of the Company, as determined by this examination, as of December 31, 2004.

Analysis of Assets
Liabilities, Surplus and Other Funds
Income Statement
Capital and Surplus Account
Examination and Surplus Changes

It should be noted that the various schedules and exhibits may not add to the totals shown due to rounding. With the exception of invested assets and losses & loss adjustment expenses, write-ups on the individual accounts in the Notes to the Financial Statements section of this report are presented on the “exception basis”. Only comments relative to adverse findings, material financial changes, or other significant regulatory concerns are noted.

Analysis of Assets
December 31, 2004

| | <u>Ledger</u> <u>Assets</u> | <u>Non-Ledger</u> <u>Assets</u> | <u>Assets Not</u> <u>Admitted</u> | <u>Net Admitted</u> <u>Assets</u> | <u>Note</u> |
|--|--------------------------------|------------------------------------|--------------------------------------|--------------------------------------|-------------|
| Aggregate Write-Ins for Other than Invested Assts – Receivable from Affiliates | <u>\$4,738,513</u> | <u>\$0</u> | <u>\$0</u> | <u>\$4,738,513</u> | 1 |
| Total Assets | <u>\$4,738,513</u> | <u>\$0</u> | <u>\$0</u> | <u>\$4,738,513</u> | |

Liabilities, Surplus and Other Funds
December 31, 2004

| | | | | | |
|---------------------------------------|--|--|--|--------------------|-------------|
| Total Liabilities | | | | <u>\$0</u> | <u>Note</u> |
| Common Capital Stock | | | | 0 | |
| Gross Paid-in and Contributed Surplus | | | | 8,000,000 | |
| Unassigned Funds (Surplus) | | | | <u>3,261,487</u> | |
| Surplus as regards Policyholders | | | | \$4,738,513 | |
| Total | | | | <u>\$4,788,513</u> | |

Statement of Income
December 31, 2004

| | | | | | |
|--|--|--|--|-----|-------------------|
| Income: | | | | | |
| Premiums Earned | | | | \$0 | |
| Net Investment Income Earned | | | | 0 | |
| Net Realized Capital Gains (Losses) | | | | 0 | |
| Total Income | | | | | \$0 |
| Expenses: | | | | | |
| Losses Incurred | | | | \$0 | |
| Loss Expenses Incurred | | | | 0 | |
| Other Underwriting Expenses Incurred | | | | 0 | |
| Total Expenses | | | | | \$0 |
| Net Income before federal and foreign income taxes | | | | | \$0 |
| Federal and Foreign Income Taxes Incurred | | | | | <u>\$35,700</u> |
| Net Income(Loss) | | | | | <u>(\$35,700)</u> |

Capital and Surplus Account
December 31, 2003 to December 31, 2004

| | |
|---|--------------------|
| Capital and Surplus, December 31, 2003 | \$4,774,213 |
| Net Income (Loss) | (35,700) |
| <u>Additions:</u> | |
| Total Additions to Capital & Surplus | -0- |
| <u>Deductions:</u> | |
| Total Deductions from Capital & Surplus | -0- |
| Change in Surplus during the year | <u>\$35,700</u>) |
| Policyholders' Surplus, December 31, 2004 | <u>\$4,738,513</u> |

Schedule of Examination Adjustments

The examination made no financial adjustments to the Company's December 31, 2004

Statutory Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

Note #1

Aggregate Write-Ins for Other than Invested Assets

\$4,738,513

The aggregate write-ins for other than invested assets balance shown above is the same amount reported by CWWIC on its 2004 Annual Statement. The entire balance of this account is attributable to an intra-company receivable. It is due from CWWIC's Life and Health operations. Though the receivable has remained uncollected for several years it has been reported as an admitted asset given the dual charter maintained by CWWIC as discussed in "Scope of Examination". The 2004 Annual Statement of CWWIC's Life and Health operations reported an intra-company payable identical to the receivable discussed above.

Subsequent Event: During the third quarter of 2005, the intra-company receivable noted above was settled between the Property and Casualty and the Life and Health operations in anticipation of the dissolution of the Property and Casualty operations at December 31, 2005.

SUMMARY OF RECOMMENDATIONS

- 1) It is again recommended that the Company comply with Delaware Insurance Code, Section 5005 (a)(2)d. and enter into written agreement(s) with all applicable affiliated companies who provide services to CWWIC. It is further recommended that the Company file these agreement(s) with the Delaware Insurance Department for its review in accordance with the Delaware Insurance Code (Page 6 - Management and Service Agreements).

SUMMARY COMMENTS

The following is a summary of significant events occurring since the prior examination date and previously included within this Report on Examination.

- 1) The Company maintains a “dual-charter” whereby they are permitted to write both life & health and property & casualty business with one (1) Certificate of Authority. However, CWWIC is required to file two (2) separate sets of financial statements with the Delaware Insurance Department. One (1) for its life and health operations and one (1) for its property & casualty operations.

- 2) As of December 31, 2004 CWWIC's property and casualty operations maintained no policyholder liabilities of any kind. The Company was dormant during the entire examination period.

SUBSEQUENT EVENTS

- 1) During the third quarter of 2005 the Company settled the intra-company receivable that was maintained between the Property and Casualty (P&C) and the Life and Health (L&H) operations in anticipation of the dissolution of the Property and Casualty operations at December 31, 2005. The Property and Casualty operations no longer report a receivable and the Life and Health operations no longer report a payable. The net effect was an increase to the Capital and Surplus of the life operation by \$4,738,513.

- 2) The Company intends to relinquish its Property and Casualty license by year-end 2005. Subsequent to December 31, 2005, it is anticipated that the Company will no longer be required to file any statutory financial statements and will no longer be subject to future financial examination.

CONCLUSION

As a result of this examination, the financial condition of CIGNA Worldwide Insurance Company (Property and Casualty operations) as of December 31, 2004 was determined to be as follows:

| | <u>Current</u> <u>Examination</u> | <u>December 31, 2000</u> <u>Examination</u> | <u>Changes- Increases/</u> <u>(Decreases)</u> |
|------------------------|--------------------------------------|--|--|
| Total Assets | \$4,738,513 | \$4,788,513 | \$(50,000) |
| Total Liabilities | \$0 | \$0 | \$0 |
| Policyholders' Surplus | \$4,738,513 | \$4,788,513 | \$(50,000) |

In addition to the undersigned, Jim Blair, Jr., CFE, CPA (Examination Supervisor) participated in the examination.

Respectfully submitted,



Gregg S. Bealuk, CFE
Examiner In-Charge
State of Delaware
Northeastern Zone, NAIC