

Report of Examination of

**United Benefit Life Insurance Company**  
Cincinnati, Ohio

As of December 31, 2011

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Columbus, Ohio  
October 26, 2012

Honorable Mary Taylor  
Lt. Governor/Director  
State of Ohio  
Department of Insurance  
50 West Town Street  
3<sup>rd</sup> Floor – Suite 300  
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

**Untied Benefit Life Insurance Company**

an Ohio domiciled, stock, life insurance company, hereinafter referred to as the “Company.”

**Scope of Examination**

The Department last examined the Company as of December 31, 2006. The Department’s current examination covers the period of January 1, 2007 through December 31, 2011.

The Department, as the coordinating state regulator of the insurance company subsidiaries of American Financial Group Inc. (“AFG”), an affiliate, led the multi-state coordinated examination that included representatives from the states of California, Delaware, Illinois, New York, Ohio and Texas.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For all years under examination, the Certified Public Accounting firm of Ernst & Young LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles. The audited financial reports were reviewed during the examination.

## Management and Control

### Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

<b>Name</b>	<b>Principal Occupation</b>
Christopher P. Miliano	Executive Vice President and Chief Financial Officer, Great American Financial Resources, Inc.
Mark F. Muething	Executive Vice President, General Counsel and Secretary, Great American Financial Resources, Inc.
Michael J. Prager	Executive Vice President, Chief Actuary and Chief Risk Officer, Great American Financial Resources, Inc.
Paul A. Severt	Executive Vice President and Chief Financial Officer, Great American Supplemental Benefits Group
Bradley A. Wolfram	President, Great American Supplemental Benefits Group

### Officers

As of the examination date, the following principal executive officers were elected and serving in accordance with the Company's Bylaws:

<b>Name</b>	<b>Title</b>
Bradley A. Wolfram	President
Paul A. Severt	Executive Vice President and Chief Financial Officer
Tracy E. Maples	Senior Vice President and Chief Actuary
James W Garvin, III	Vice President
Christopher P. Miliano	Vice President and Assistant Treasurer
Mark F. Muething	Vice President and Assistant Secretary
Byron K. Buescher	Chief Accounting Officer and Treasurer
Brenda W. Hardison	Secretary

## **Insurance Holding Company System**

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The Company is a wholly owned subsidiary of Provident American Life and Health Insurance Company, domiciled in Ohio, and an indirect wholly owned subsidiary of AFG, the ultimate controlling person in the holding company system. Through its insurance company subsidiaries, AFG is engaged primarily in property and casualty insurance, focusing on specialized commercial products for businesses, and the sale of traditional fixed and indexed annuities and a variety of supplemental insurance products. The common stock of AFG is traded on the New York Stock Exchange.

## **Territory and Plan of Operations**

The Company is licensed to transact business in twenty-seven states and the District of Columbia. At December 31, 2011, the Company had no insurance in force, nor is it currently engaged in any marketing activities.

The Company is a member of Great American Supplemental Benefits Group (“GASBG”), a family of companies located in Austin, Texas that offer Medicare supplement, hospital indemnity, specified disease, health and long-term care products.

## **Reinsurance**

The Company does not cede or assume any reinsurance.

## **Financial Statements**

The financial condition and the results of its operations for the five-year period under examination as reported and filed by the Company with the Department and audited by the Company’s external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds  
Summary of Operations  
Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Surplus and Other Funds  
December 31, 2011**

**Assets**

Bonds	\$ 1,983,440
Cash and short-term investments	<u>1,177,468</u>
Subtotal, cash and invested assets	3,160,908
Investment income due and accrued	26,097
Net deferred tax asset	458
Guaranty funds receivable or on deposit	328
Receivable from affiliates	<u>5,685</u>
Total assets	<u>\$ 3,193,476</u>

**Liabilities**

Aggregate reserve for life contracts	\$ 0
Interest maintenance reserve	54,962
Current federal income taxes	3,037
Asset valuation reserve	75
Payable to parent, subsidiaries and affiliates	<u>149</u>
Total liabilities	<u>58,223</u>

**Capital and Surplus**

Common capital stock	1,500,000
Gross paid in and contributed surplus	18,817,345
Unassigned funds	<u>(17,182,092)</u>
Total capital and surplus	<u>3,135,253</u>
Total liabilities, capital and surplus	<u>\$ 3,193,476</u>

**Summary of Operations**  
**For the Year Ended December 31, 2011**

Net investment income	40,204
Amortization of interest maintenance reserve	2,172
Miscellaneous income	<u>18,962</u>
Total	<u>61,338</u>
General insurance expenses	4,060
Insurance taxes, licenses and fees	<u>41,982</u>
Total	<u>46,042</u>
Net gain from operations before federal income taxes	15,296
Federal income taxes	<u>4,564</u>
Net income	<u>\$ 10,732</u>

**Statement of Changes in the Capital and Surplus Account**  
(In thousands)

	2007	2008	2009	2010	2011
Capital and surplus, beginning of year	<u>\$3,061</u>	<u>\$3,112</u>	<u>\$3,130</u>	<u>\$3,132</u>	<u>\$3,125</u>
Net income (loss)	67	23	(3)	(8)	11
Change in net deferred income tax	(3)	2	(2)	-	-
Change in nonadmitted assets	3	(7)	6	-	(1)
Change in asset valuation reserve	-	-	1	1	-
Capital changes:					
Transferred to surplus	-	-	-	-	(1,000)
Transferred from capital	-	-	-	-	1,000
Aggregate write-ins	<u>(16)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus	<u>51</u>	<u>(18)</u>	<u>2</u>	<u>(6)</u>	<u>10</u>
Capital and surplus, end of year	<u>\$3,112</u>	<u>\$3,130</u>	<u>\$3,132</u>	<u>\$3,125</u>	<u>\$3,135</u>

## **Notes to Financial Statements**

### **Investments**

The Company's investments were in compliance with ORC Section 3907.14 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

### **Aggregate Reserve for Life Contracts**

The Company's Board of Directors appointed Mark E. Alberts, FSA, MAAA, Consulting Actuary, to render the Company's Statement of Actuarial Opinion ("Opinion"). In the Opinion, Mr. Alberts states no actuarial reserves or liabilities are necessary since there was no business in force for any time during the calendar year ending December 31, 2011.

### **Subsequent Events**

On May 10, 2012, Great American Financial Resources, Inc. and certain of its subsidiaries, including the Company, American Retirement Life Insurance Company ("ARLIC"), Central Reserve Life Insurance Company ("CRLIC"), Continental General Insurance Company ("CGIC"), Great American Life Insurance Company ("GALIC"), Loyal American Life Insurance Company ("LALIC"), Provident American Life & Health Insurance Company ("PALHIC"), and United Teacher Associates Insurance Company ("UTAIC") entered into an agreement (the "Agreement") to sell their Medicare supplement and other supplemental health insurance policies to Cigna Health and Life Insurance Company ("Cigna"). Pursuant to the Agreement, Cigna acquired all of the outstanding common stock of the Company, ARLIC, CRLIC, LALIC and PALHIC (collectively, the "Targets"). Immediately prior to the sale, the Targets reinsured the life and annuity business they held to GALIC and GALIC, CGIC and UTAIC reinsured all Medicare supplement and other supplemental health policies they held to LALIC. The Department approved the transaction on August 30, 2012. CGIC and UTAIC have agreed to continue writing Medicare supplement and other supplemental health business for up to two years following completion of these transactions, with all business written during that period being reinsured by LALIC.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2011, and is summarized as follows:

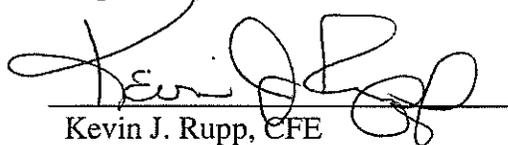
Total Admitted Assets	<u>\$3,193,476</u>
Liabilities	\$ 58,223
Surplus as Regards Policyholders	<u>3,135,253</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$3,193,476</u>

### Acknowledgement

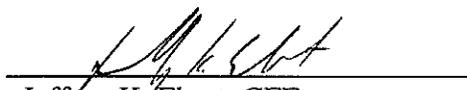
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the aforementioned and undersigned, the following representatives of the Department participated in this examination: Mohammad A. Arif, AES, CFE, CISA, CIDM, CISSP; Ryan S. Gibson, CFE, FLMI; Aaron R. Hibbs, CFE, ChFC, CPA, FLMI; James H. Luke, CFE, CPA; Larry G. Rice, AES, CFE, CISA, CPA; and Zachary L. Wheatley, CPA.

Respectfully,



Kevin J. Rupp, CFE  
Examiner-In-Charge  
Ohio Department of Insurance



Jeffrey K. Ebert, CFE  
Assistant Chief Examiner  
Ohio Department of Insurance

**Verification**

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2011.

Kevin J. Rupp      12/21/12      Michael Ebert      12/21/12  
Examiner-In-Charge      Date      Assistant Chief Examiner      Date

State of Ohio  
County of Franklin

Personally appeared before me the above named, Kevin J. Rupp, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 21 day of December, 2012.

Elizabeth Chase  
(Notary Public)  
ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017  
My Commission Expires

State of Ohio  
County of Franklin

Personally appeared before me the above named, Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 21 day of December, 2012.

Elizabeth Chase  
(Notary Public)  
ELIZABETH CHASE  
NOTARY PUBLIC, STATE OF OHIO  
MY COMMISSION EXPIRES MAY 22, 2017  
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