



# HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2016  
OF THE CONDITION AND AFFAIRS OF THE

## HealthSpring of Tennessee, Inc.

NAIC Group Code 0901 0901 NAIC Company Code 11522 Employer's ID Number 62-1593150  
(Current) (Prior)

Organized under the Laws of Tennessee, State of Domicile or Port of Entry TN

Country of Domicile United States of America

Licensed as business type: Health Maintenance Organization

Is HMO Federally Qualified? Yes [ ] No [ X ]

Incorporated/Organized 01/24/1995 Commenced Business 07/01/1995

Statutory Home Office 530 Great Circle Road, Nashville, TN, US 37228-1513  
(Street and Number) (City or Town, State, Country and Zip Code)

Main Administrative Office 530 Great Circle Road  
(Street and Number)  
Nashville, TN, US 37228-1513, 615-291-7000  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Mail Address 530 Great Circle Road, Nashville, TN, US 37228-1513  
(Street and Number or P.O. Box) (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 530 Great Circle Road  
(Street and Number)  
Nashville, TN, US 37228-1513, 615-291-7000  
(City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

Internet Website Address www.cignahealthspring.com

Statutory Statement Contact Connie Schmidt Ansley, 615-564-3480  
(Name) (Area Code) (Telephone Number)  
regulatory@healthspring.com, 615-401-4566  
(E-mail Address) (FAX Number)

### OFFICERS

CEO Matthew Shawn Morris Divisional President & Chairman Sheffield Hoover Young  
President Gregory James Allen Vice President and Secretary Brent Jason Sanders

### OTHER

Ryan Bruce McGroarty, Chief Financial Officer Euegene Prichard Chambers, Jr., MD, Medical Director Jay Landon Hurt, Vice President  
Richard Alan Appel, Compliance Officer Gregory Nicholas Malone, Appointed Actuary Scott Ronald Lambert, Vice President and Treasurer  
Maureen Hardiman Ryan, Vice President and Assistant Treasurer Jumana Nadeem Siddiqui, Assistant Treasurer Rhiannon Ashley Bernier, Assistant Secretary  
Anna Krishtul, Assistant Secretary

### DIRECTORS OR TRUSTEES

Sheffield Hoover Young Ryan Bruce McGroarty Jay Landon Hurt  
Brent Jason Sanders Mark Inman Foulke Kimberly Ann Forman

State of Pennsylvania SS:  
County of Delaware

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.

Gregory James Allen  
President

Brent Jason Sanders  
Vice President and Secretary

Ryan Bruce McGroarty  
Chief Financial Officer

Subscribed and sworn to before me this \_\_\_\_\_ day of February, 2017

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

Kerri L. Schoning  
Notary Public  
September 8, 2020

**ASSETS**

|                                                                                                                                                                                    | Current Year |                         |                                           | Prior Year                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------|-------------------------------------------|-----------------------------|
|                                                                                                                                                                                    | 1<br>Assets  | 2<br>Nonadmitted Assets | 3<br>Net Admitted Assets<br>(Cols. 1 - 2) | 4<br>Net Admitted<br>Assets |
| 1. Bonds (Schedule D) .....                                                                                                                                                        | 198,911,293  |                         | 198,911,293                               | 200,699,669                 |
| 2. Stocks (Schedule D):                                                                                                                                                            |              |                         |                                           |                             |
| 2.1 Preferred stocks .....                                                                                                                                                         |              |                         | 0                                         | 0                           |
| 2.2 Common stocks .....                                                                                                                                                            |              |                         | 0                                         | 0                           |
| 3. Mortgage loans on real estate (Schedule B):                                                                                                                                     |              |                         |                                           |                             |
| 3.1 First liens .....                                                                                                                                                              |              |                         | 0                                         | 0                           |
| 3.2 Other than first liens .....                                                                                                                                                   |              |                         | 0                                         | 0                           |
| 4. Real estate (Schedule A):                                                                                                                                                       |              |                         |                                           |                             |
| 4.1 Properties occupied by the company (less \$<br>encumbrances) .....                                                                                                             |              |                         | 0                                         | 0                           |
| 4.2 Properties held for the production of income (less<br>\$ ..... encumbrances) .....                                                                                             |              |                         | 0                                         | 0                           |
| 4.3 Properties held for sale (less \$<br>encumbrances) .....                                                                                                                       |              |                         | 0                                         | 0                           |
| 5. Cash (\$ .....(15,507,371) , Schedule E - Part 1), cash equivalents<br>(\$ .....55,019,168 , Schedule E - Part 2) and short-term<br>investments (\$ .....0 , Schedule DA) ..... | 39,511,797   |                         | 39,511,797                                | 1,937,352                   |
| 6. Contract loans, (including \$ ..... premium notes) .....                                                                                                                        |              |                         | 0                                         | 0                           |
| 7. Derivatives (Schedule DB) .....                                                                                                                                                 |              |                         | 0                                         | 0                           |
| 8. Other invested assets (Schedule BA) .....                                                                                                                                       |              |                         | 0                                         | 0                           |
| 9. Receivables for securities .....                                                                                                                                                |              |                         | 0                                         | 0                           |
| 10. Securities lending reinvested collateral assets (Schedule DL) .....                                                                                                            |              |                         | 0                                         | 0                           |
| 11. Aggregate write-ins for invested assets .....                                                                                                                                  | 0            | 0                       | 0                                         | 0                           |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) .....                                                                                                                      | 238,423,090  | 0                       | 238,423,090                               | 202,637,021                 |
| 13. Title plants less \$ ..... charged off (for Title insurers<br>only) .....                                                                                                      |              |                         | 0                                         | 0                           |
| 14. Investment income due and accrued .....                                                                                                                                        | 2,012,056    |                         | 2,012,056                                 | 1,983,141                   |
| 15. Premiums and considerations:                                                                                                                                                   |              |                         |                                           |                             |
| 15.1 Uncollected premiums and agents' balances in the course of collection .....                                                                                                   | 72,653,979   | 1,037,427               | 71,616,552                                | 70,471,325                  |
| 15.2 Deferred premiums and agents' balances and installments booked but<br>deferred and not yet due (including \$ .....<br>earned but unbilled premiums) .....                     |              |                         | 0                                         | 0                           |
| 15.3 Accrued retrospective premiums (\$ ..... ) and<br>contracts subject to redetermination (\$ ..... ) .....                                                                      |              |                         | 0                                         | 0                           |
| 16. Reinsurance:                                                                                                                                                                   |              |                         |                                           |                             |
| 16.1 Amounts recoverable from reinsurers .....                                                                                                                                     |              |                         | 0                                         | 0                           |
| 16.2 Funds held by or deposited with reinsured companies .....                                                                                                                     |              |                         | 0                                         | 0                           |
| 16.3 Other amounts receivable under reinsurance contracts .....                                                                                                                    |              |                         | 0                                         | 0                           |
| 17. Amounts receivable relating to uninsured plans .....                                                                                                                           | 10,089,309   |                         | 10,089,309                                | 34,144,330                  |
| 18.1 Current federal and foreign income tax recoverable and interest thereon .....                                                                                                 | 6,055,037    |                         | 6,055,037                                 | 48,555                      |
| 18.2 Net deferred tax asset .....                                                                                                                                                  | 2,308,695    | 115,918                 | 2,192,777                                 | 3,212,365                   |
| 19. Guaranty funds receivable or on deposit .....                                                                                                                                  |              |                         | 0                                         | 0                           |
| 20. Electronic data processing equipment and software .....                                                                                                                        |              |                         | 0                                         | 0                           |
| 21. Furniture and equipment, including health care delivery assets<br>(\$ ..... ) .....                                                                                            |              |                         | 0                                         | 0                           |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....                                                                                                   |              |                         | 0                                         | 0                           |
| 23. Receivables from parent, subsidiaries and affiliates .....                                                                                                                     | 14,968,985   | 14,946,266              | 22,719                                    | 49,770                      |
| 24. Health care (\$ .....31,294,693 ) and other amounts receivable .....                                                                                                           | 31,505,398   | 210,705                 | 31,294,693                                | 31,271,218                  |
| 25. Aggregate write-ins for other than invested assets .....                                                                                                                       | 2,508,821    | 0                       | 2,508,821                                 | 1,571,269                   |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 12 to 25) .....                                                            | 380,525,370  | 16,310,316              | 364,215,054                               | 345,388,994                 |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell<br>Accounts .....                                                                                               |              |                         | 0                                         | 0                           |
| 28. Total (Lines 26 and 27) .....                                                                                                                                                  | 380,525,370  | 16,310,316              | 364,215,054                               | 345,388,994                 |
| <b>DETAILS OF WRITE-INS</b>                                                                                                                                                        |              |                         |                                           |                             |
| 1101. ....                                                                                                                                                                         |              |                         |                                           |                             |
| 1102. ....                                                                                                                                                                         |              |                         |                                           |                             |
| 1103. ....                                                                                                                                                                         |              |                         |                                           |                             |
| 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. Health Insurance Industry Fee Recoupment .....                                                                                                                               | 2,087,838    |                         | 2,087,838                                 | 702,993                     |
| 2502. State Income Tax Recoverable .....                                                                                                                                           | 420,983      |                         | 420,983                                   | 868,276                     |
| 2503. ....                                                                                                                                                                         |              |                         |                                           |                             |
| 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) .....                                                                                                                 | 2,508,821    | 0                       | 2,508,821                                 | 1,571,269                   |

**LIABILITIES, CAPITAL AND SURPLUS**

|                                                                                                                                                                   | Current Year |                |             | Prior Year  |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------|-------------|-------------|
|                                                                                                                                                                   | 1<br>Covered | 2<br>Uncovered | 3<br>Total  | 4<br>Total  |
| 1. Claims unpaid (less \$ .....0 reinsurance ceded) .....                                                                                                         | 147,491,190  |                | 147,491,190 | 142,824,123 |
| 2. Accrued medical incentive pool and bonus amounts .....                                                                                                         | 9,611,017    |                | 9,611,017   | 10,838,191  |
| 3. Unpaid claims adjustment expenses .....                                                                                                                        | 2,643,782    |                | 2,643,782   | 2,146,566   |
| 4. Aggregate health policy reserves, including the liability of<br>\$ .....1,702,488 for medical loss ratio rebate per the Public<br>Health Service Act .....     | 3,884,720    |                | 3,884,720   | 5,555,207   |
| 5. Aggregate life policy reserves .....                                                                                                                           |              |                | 0           | 0           |
| 6. Property/casualty unearned premium reserves .....                                                                                                              |              |                | 0           | 0           |
| 7. Aggregate health claim reserves .....                                                                                                                          |              |                | 0           | 0           |
| 8. Premiums received in advance .....                                                                                                                             | 160,801      |                | 160,801     | 269,783     |
| 9. General expenses due or accrued .....                                                                                                                          | 294,683      |                | 294,683     | 349,163     |
| 10.1 Current federal and foreign income tax payable and interest thereon<br>(including \$ ..... on realized capital gains (losses)) .....                         |              |                | 0           | 0           |
| 10.2 Net deferred tax liability .....                                                                                                                             |              |                | 0           | 0           |
| 11. Ceded reinsurance premiums payable .....                                                                                                                      |              |                | 0           | 0           |
| 12. Amounts withheld or retained for the account of others .....                                                                                                  |              |                | 0           | 1,696,494   |
| 13. Remittances and items not allocated .....                                                                                                                     |              |                | 0           | 0           |
| 14. Borrowed money (including \$ ..... current) and<br>interest thereon \$ ..... (including<br>\$ ..... current) .....                                            |              |                | 0           | 0           |
| 15. Amounts due to parent, subsidiaries and affiliates .....                                                                                                      | 18,986,492   |                | 18,986,492  | 18,961,552  |
| 16. Derivatives .....                                                                                                                                             |              |                | 0           | 0           |
| 17. Payable for securities .....                                                                                                                                  |              |                | 0           | 0           |
| 18. Payable for securities lending .....                                                                                                                          |              |                | 0           | 0           |
| 19. Funds held under reinsurance treaties (with \$ .....<br>authorized reinsurers, \$ .....0 unauthorized<br>reinsurers and \$ .....0 certified reinsurers) ..... |              |                | 0           | 0           |
| 20. Reinsurance in unauthorized and certified (\$ ..... )<br>companies .....                                                                                      |              |                | 0           | 0           |
| 21. Net adjustments in assets and liabilities due to foreign exchange rates .....                                                                                 |              |                | 0           | 0           |
| 22. Liability for amounts held under uninsured plans .....                                                                                                        |              |                | 0           | 3,451,013   |
| 23. Aggregate write-ins for other liabilities (including \$ .....4,895,439<br>current) .....                                                                      | 4,895,439    | 0              | 4,895,439   | 0           |
| 24. Total liabilities (Lines 1 to 23) .....                                                                                                                       | 187,968,124  | 0              | 187,968,124 | 186,092,092 |
| 25. Aggregate write-ins for special surplus funds .....                                                                                                           | XXX          | XXX            | 0           | 27,197,386  |
| 26. Common capital stock .....                                                                                                                                    | XXX          | XXX            | 50          | 50          |
| 27. Preferred capital stock .....                                                                                                                                 | XXX          | XXX            |             |             |
| 28. Gross paid in and contributed surplus .....                                                                                                                   | XXX          | XXX            | 55,364,510  | 55,364,510  |
| 29. Surplus notes .....                                                                                                                                           | XXX          | XXX            | 900,000     | 900,000     |
| 30. Aggregate write-ins for other than special surplus funds .....                                                                                                | XXX          | XXX            | 0           | 0           |
| 31. Unassigned funds (surplus) .....                                                                                                                              | XXX          | XXX            | 119,982,370 | 75,834,956  |
| 32. Less treasury stock, at cost:                                                                                                                                 |              |                |             |             |
| 32.1 ..... shares common (value included in Line 26<br>\$ ..... ) .....                                                                                           | XXX          | XXX            |             |             |
| 32.2 ..... shares preferred (value included in Line 27<br>\$ ..... ) .....                                                                                        | XXX          | XXX            |             |             |
| 33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....                                                                                                | XXX          | XXX            | 176,246,930 | 159,296,902 |
| 34. Total liabilities, capital and surplus (Lines 24 and 33) .....                                                                                                | XXX          | XXX            | 364,215,054 | 345,388,994 |
| <b>DETAILS OF WRITE-INS</b>                                                                                                                                       |              |                |             |             |
| 2301. Escheatment Liability .....                                                                                                                                 | 2,729,999    |                | 2,729,999   | 0           |
| 2302. Advocate Claims Pass Through Accrual .....                                                                                                                  | 1,495,310    |                | 1,495,310   |             |
| 2303. State of Illinois Pass Through Accrual .....                                                                                                                | 620,130      |                | 620,130     |             |
| 2398. Summary of remaining write-ins for Line 23 from overflow page .....                                                                                         | 50,000       | 0              | 50,000      | 0           |
| 2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above) .....                                                                                                | 4,895,439    | 0              | 4,895,439   | 0           |
| 2501. Health Insurance Industry Fee .....                                                                                                                         | XXX          | XXX            |             | 27,197,386  |
| 2502. ....                                                                                                                                                        | XXX          | XXX            |             |             |
| 2503. ....                                                                                                                                                        | XXX          | XXX            |             |             |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....                                                                                         | XXX          | XXX            | 0           | 0           |
| 2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....                                                                                                | XXX          | XXX            | 0           | 27,197,386  |
| 3001. ....                                                                                                                                                        | XXX          | XXX            |             |             |
| 3002. ....                                                                                                                                                        | XXX          | XXX            |             |             |
| 3003. ....                                                                                                                                                        | XXX          | XXX            |             |             |
| 3098. Summary of remaining write-ins for Line 30 from overflow page .....                                                                                         | XXX          | XXX            | 0           | 0           |
| 3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above) .....                                                                                                | XXX          | XXX            | 0           | 0           |

**STATEMENT OF REVENUE AND EXPENSES**

|                                                                                                                                            | Current Year   |               | Prior Year    |
|--------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|---------------|
|                                                                                                                                            | 1<br>Uncovered | 2<br>Total    | 3<br>Total    |
| 1. Member Months.....                                                                                                                      | XXX            | 1,605,396     | 1,558,863     |
| 2. Net premium income ( including \$ .....0 non-health premium income) .....                                                               | XXX            | 1,666,231,263 | 1,588,819,934 |
| 3. Change in unearned premium reserves and reserve for rate credits .....                                                                  | XXX            | 0             |               |
| 4. Fee-for-service (net of \$ ..... medical expenses) .....                                                                                | XXX            | 0             |               |
| 5. Risk revenue .....                                                                                                                      | XXX            | 0             |               |
| 6. Aggregate write-ins for other health care related revenues .....                                                                        | XXX            | 1,472,737     | 790,150       |
| 7. Aggregate write-ins for other non-health revenues .....                                                                                 | XXX            | 0             | 0             |
| 8. Total revenues (Lines 2 to 7) .....                                                                                                     | XXX            | 1,667,704,000 | 1,589,610,084 |
| <b>Hospital and Medical:</b>                                                                                                               |                |               |               |
| 9. Hospital/medical benefits .....                                                                                                         |                | 1,212,050,859 | 1,145,710,901 |
| 10. Other professional services .....                                                                                                      |                | 13,833,437    | 14,996,586    |
| 11. Outside referrals .....                                                                                                                |                | 0             |               |
| 12. Emergency room and out-of-area .....                                                                                                   |                | 25,907,187    | 24,150,566    |
| 13. Prescription drugs .....                                                                                                               |                | 120,794,071   | 117,210,691   |
| 14. Aggregate write-ins for other hospital and medical.....                                                                                | 0              | 0             | 0             |
| 15. Incentive pool, withhold adjustments and bonus amounts .....                                                                           |                | (3,039,151)   | (6,804,105)   |
| 16. Subtotal (Lines 9 to 15) .....                                                                                                         | 0              | 1,369,546,403 | 1,295,264,639 |
| <b>Less:</b>                                                                                                                               |                |               |               |
| 17. Net reinsurance recoveries .....                                                                                                       |                | 0             |               |
| 18. Total hospital and medical (Lines 16 minus 17) .....                                                                                   | 0              | 1,369,546,403 | 1,295,264,639 |
| 19. Non-health claims (net) .....                                                                                                          |                |               |               |
| 20. Claims adjustment expenses, including \$ .....78,806,155 cost containment expenses .....                                               |                | 97,429,543    | 42,031,454    |
| 21. General administrative expenses .....                                                                                                  |                | 172,375,293   | 213,826,702   |
| 22. Increase in reserves for life and accident and health contracts (including \$ .....0<br>increase in reserves for life only) .....      |                | 0             | (372,914)     |
| 23. Total underwriting deductions (Lines 18 through 22).....                                                                               | 0              | 1,639,351,239 | 1,550,749,881 |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) .....                                                                               | XXX            | 28,352,761    | 38,860,203    |
| 25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....                                                         |                | 7,286,920     | 7,034,235     |
| 26. Net realized capital gains (losses) less capital gains tax of \$ .....302,908 .....                                                    |                | 499,274       | 281,866       |
| 27. Net investment gains (losses) (Lines 25 plus 26) .....                                                                                 | 0              | 7,786,194     | 7,316,101     |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered<br>\$ ..... ) (amount charged off \$ ..... )] ..... |                |               | (995,362)     |
| 29. Aggregate write-ins for other income or expenses .....                                                                                 | 0              | (209,905)     | 173,500       |
| 30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus<br>27 plus 28 plus 29) .....     | XXX            | 35,929,050    | 45,354,442    |
| 31. Federal and foreign income taxes incurred .....                                                                                        | XXX            | 21,759,661    | 24,180,011    |
| 32. Net income (loss) (Lines 30 minus 31) .....                                                                                            | XXX            | 14,169,389    | 21,174,431    |
| <b>DETAILS OF WRITE-INS</b>                                                                                                                |                |               |               |
| 0601. Health Insurance Industry Fee Recoupment .....                                                                                       | XXX            | 1,384,846     | 702,993       |
| 0602. Living Well Premiums .....                                                                                                           | XXX            | 87,891        | 87,157        |
| 0603 .....                                                                                                                                 | XXX            |               |               |
| 0698. Summary of remaining write-ins for Line 6 from overflow page .....                                                                   | XXX            | 0             | 0             |
| 0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above) .....                                                                          | XXX            | 1,472,737     | 790,150       |
| 0701. ....                                                                                                                                 | XXX            |               |               |
| 0702. ....                                                                                                                                 | XXX            |               |               |
| 0703 .....                                                                                                                                 | XXX            |               |               |
| 0798. Summary of remaining write-ins for Line 7 from overflow page .....                                                                   | XXX            | 0             | 0             |
| 0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above) .....                                                                          | XXX            | 0             | 0             |
| 1401. ....                                                                                                                                 |                |               |               |
| 1402. ....                                                                                                                                 |                |               |               |
| 1403. ....                                                                                                                                 |                |               |               |
| 1498. Summary of remaining write-ins for Line 14 from overflow page .....                                                                  | 0              | 0             | 0             |
| 1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above) .....                                                                         | 0              | 0             | 0             |
| 2901. Penalties and fines .....                                                                                                            |                | (209,905)     | 173,500       |
| 2902. ....                                                                                                                                 |                |               |               |
| 2903 .....                                                                                                                                 |                |               |               |
| 2998. Summary of remaining write-ins for Line 29 from overflow page .....                                                                  | 0              | 0             | 0             |
| 2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) .....                                                                         | 0              | (209,905)     | 173,500       |

**STATEMENT OF REVENUE AND EXPENSES (Continued)**

|                                                                                                    | 1<br>Current Year | 2<br>Prior Year |
|----------------------------------------------------------------------------------------------------|-------------------|-----------------|
| <b>CAPITAL AND SURPLUS ACCOUNT</b>                                                                 |                   |                 |
| 33. Capital and surplus prior reporting year.....                                                  | 159,296,902       | 117,600,372     |
| 34. Net income or (loss) from Line 32.....                                                         | 14,169,389        | 21,174,431      |
| 35. Change in valuation basis of aggregate policy and claim reserves.....                          |                   |                 |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ ..... 6,145 ..... | 11,412            | (226,689)       |
| 37. Change in net unrealized foreign exchange capital gain or (loss).....                          |                   |                 |
| 38. Change in net deferred income tax.....                                                         | (1,019,588)       | 1,341,981       |
| 39. Change in nonadmitted assets.....                                                              | 3,764,314         | (5,593,193)     |
| 40. Change in unauthorized and certified reinsurance.....                                          | 0                 | 0               |
| 41. Change in treasury stock.....                                                                  | 0                 | 0               |
| 42. Change in surplus notes.....                                                                   | 0                 | 0               |
| 43. Cumulative effect of changes in accounting principles.....                                     |                   |                 |
| 44. Capital Changes:                                                                               |                   |                 |
| 44.1 Paid in.....                                                                                  | 0                 | 0               |
| 44.2 Transferred from surplus (Stock Dividend).....                                                | 0                 | 0               |
| 44.3 Transferred to surplus.....                                                                   |                   |                 |
| 45. Surplus adjustments:                                                                           |                   |                 |
| 45.1 Paid in.....                                                                                  | 0                 | 25,000,000      |
| 45.2 Transferred to capital (Stock Dividend).....                                                  |                   |                 |
| 45.3 Transferred from capital.....                                                                 |                   |                 |
| 46. Dividends to stockholders.....                                                                 |                   |                 |
| 47. Aggregate write-ins for gains or (losses) in surplus.....                                      | 24,501            | 0               |
| 48. Net change in capital and surplus (Lines 34 to 47).....                                        | 16,950,028        | 41,696,530      |
| 49. Capital and surplus end of reporting period (Line 33 plus 48)                                  | 176,246,930       | 159,296,902     |
| <b>DETAILS OF WRITE-INS</b>                                                                        |                   |                 |
| 4701. Bad Debt Allowance Correction.....                                                           | 24,501            | 0               |
| 4702. ....                                                                                         |                   |                 |
| 4703. ....                                                                                         |                   |                 |
| 4798. Summary of remaining write-ins for Line 47 from overflow page.....                           | 0                 | 0               |
| 4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)                                       | 24,501            | 0               |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**CASH FLOW**

|                                                                                                                 | 1             | 2             |
|-----------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                 | Current Year  | Prior Year    |
| <b>Cash from Operations</b>                                                                                     |               |               |
| 1. Premiums collected net of reinsurance .....                                                                  | 1,662,293,641 | 1,560,322,221 |
| 2. Net investment income .....                                                                                  | 7,888,619     | 7,685,286     |
| 3. Miscellaneous income .....                                                                                   | 87,892        | 839,920       |
| 4. Total (Lines 1 through 3) .....                                                                              | 1,670,270,152 | 1,568,847,427 |
| 5. Benefit and loss related payments .....                                                                      | 1,361,291,404 | 1,278,245,006 |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....                    |               |               |
| 7. Commissions, expenses paid and aggregate write-ins for deductions .....                                      | 248,470,705   | 275,723,986   |
| 8. Dividends paid to policyholders .....                                                                        |               |               |
| 9. Federal and foreign income taxes paid (recovered) net of \$ .....0 tax on capital gains (losses) .....       | 28,069,051    | 23,871,385    |
| 10. Total (Lines 5 through 9) .....                                                                             | 1,637,831,160 | 1,577,840,377 |
| 11. Net cash from operations (Line 4 minus Line 10) .....                                                       | 32,438,992    | (8,992,950)   |
| <b>Cash from Investments</b>                                                                                    |               |               |
| 12. Proceeds from investments sold, matured or repaid:                                                          |               |               |
| 12.1 Bonds .....                                                                                                | 35,324,472    | 82,079,715    |
| 12.2 Stocks .....                                                                                               | 0             | 0             |
| 12.3 Mortgage loans .....                                                                                       | 0             | 0             |
| 12.4 Real estate .....                                                                                          | 0             | 0             |
| 12.5 Other invested assets .....                                                                                | 0             | 0             |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....                           | (1,991)       | (509)         |
| 12.7 Miscellaneous proceeds .....                                                                               | 0             | 0             |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) .....                                                       | 35,322,481    | 82,079,206    |
| 13. Cost of investments acquired (long-term only):                                                              |               |               |
| 13.1 Bonds .....                                                                                                | 33,344,980    | 84,389,858    |
| 13.2 Stocks .....                                                                                               | 0             | 0             |
| 13.3 Mortgage loans .....                                                                                       | 0             | 0             |
| 13.4 Real estate .....                                                                                          | 0             | 0             |
| 13.5 Other invested assets .....                                                                                | 0             | 0             |
| 13.6 Miscellaneous applications .....                                                                           | 0             | 0             |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) .....                                                      | 33,344,980    | 84,389,858    |
| 14. Net increase (decrease) in contract loans and premium notes .....                                           | 0             | 0             |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....                                   | 1,977,501     | (2,310,652)   |
| <b>Cash from Financing and Miscellaneous Sources</b>                                                            |               |               |
| 16. Cash provided (applied):                                                                                    |               |               |
| 16.1 Surplus notes, capital notes .....                                                                         | 0             | 0             |
| 16.2 Capital and paid in surplus, less treasury stock .....                                                     | 0             | 25,000,000    |
| 16.3 Borrowed funds .....                                                                                       | 0             | 0             |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities .....                               | 0             | 0             |
| 16.5 Dividends to stockholders .....                                                                            | 0             | 0             |
| 16.6 Other cash provided (applied) .....                                                                        | 3,157,951     | (17,024,600)  |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) ..... | 3,157,951     | 7,975,400     |
| <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 Lines 15 and 17) .....       | 37,574,444    | (3,328,202)   |
| 19. Cash, cash equivalents and short-term investments:                                                          |               |               |
| 19.1 Beginning of year .....                                                                                    | 1,937,353     | 5,265,555     |
| 19.2 End of year (Line 18 plus Line 19.1) .....                                                                 | 39,511,797    | 1,937,353     |

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

|                                                                     |           |            |
|---------------------------------------------------------------------|-----------|------------|
| 20.0001. Bonds acquired from parent as a capital contribution ..... |           | 20,000,000 |
| 20.0002. Non-cash transactions related to bonds disposal .....      | 1,997,157 |            |
| 20.0003. Non-cash transactions related to bonds acquisition .....   | 1,997,157 |            |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

|                                                                                  | 1             | 2                                     | 3                      | 4              | 5              | 6                                               | 7                          | 8                        | 9            | 10                  |
|----------------------------------------------------------------------------------|---------------|---------------------------------------|------------------------|----------------|----------------|-------------------------------------------------|----------------------------|--------------------------|--------------|---------------------|
|                                                                                  | Total         | Comprehensive<br>(Hospital & Medical) | Medicare<br>Supplement | Dental<br>Only | Vision<br>Only | Federal<br>Employees<br>Health<br>Benefits Plan | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other Health | Other<br>Non-Health |
| 1. Net premium income                                                            | 1,666,231,263 |                                       |                        |                |                |                                                 | 1,516,279,448              | 149,951,815              |              |                     |
| 2. Change in unearned premium reserves and reserve for rate credit               | 0             |                                       |                        |                |                |                                                 |                            |                          |              |                     |
| 3. Fee-for-service (net of \$ medical expenses)                                  | 0             |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 4. Risk revenue                                                                  | 0             |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 5. Aggregate write-ins for other health care related revenues                    | 1,472,737     | 0                                     | 0                      | 0              | 0              | 0                                               | 349,213                    | 1,123,524                | 0            | XXX                 |
| 6. Aggregate write-ins for other non-health care related revenues                | 0             | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          | 0                   |
| 7. Total revenues (Lines 1 to 6)                                                 | 1,667,704,000 | 0                                     | 0                      | 0              | 0              | 0                                               | 1,516,628,661              | 151,075,339              | 0            | 0                   |
| 8. Hospital/medical benefits                                                     | 1,212,050,859 | (38,356)                              |                        |                |                |                                                 | 1,132,451,895              | 79,637,320               |              | XXX                 |
| 9. Other professional services                                                   | 13,833,437    |                                       |                        |                |                |                                                 | 11,395,835                 | 2,437,602                |              | XXX                 |
| 10. Outside referrals                                                            | 0             |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 11. Emergency room and out-of-area                                               | 25,907,187    |                                       |                        |                |                |                                                 | 23,368,467                 | 2,538,720                |              | XXX                 |
| 12. Prescription drugs                                                           | 120,794,071   |                                       |                        |                |                |                                                 | 104,972,146                | 15,821,925               |              | XXX                 |
| 13. Aggregate write-ins for other hospital and medical                           | 0             | 0                                     | 0                      | 0              | 0              | 0                                               | 0                          | 0                        | 0            | XXX                 |
| 14. Incentive pool, withhold adjustments and bonus amounts                       | (3,039,151)   |                                       |                        |                |                |                                                 | (3,057,151)                | 18,000                   |              | XXX                 |
| 15. Subtotal (Lines 8 to 14)                                                     | 1,369,546,403 | (38,356)                              | 0                      | 0              | 0              | 0                                               | 1,269,131,192              | 100,453,567              | 0            | XXX                 |
| 16. Net reinsurance recoveries                                                   | 0             |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 17. Total medical and hospital (Lines 15 minus 16)                               | 1,369,546,403 | (38,356)                              | 0                      | 0              | 0              | 0                                               | 1,269,131,192              | 100,453,567              | 0            | XXX                 |
| 18. Non-health claims (net)                                                      | 0             | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          |                     |
| 19. Claims adjustment expenses including \$ 78,806,155 cost containment expenses | 97,429,543    |                                       |                        |                |                |                                                 | 91,853,558                 | 5,575,985                |              |                     |
| 20. General administrative expenses                                              | 172,375,293   | 7,703                                 |                        |                |                |                                                 | 161,158,291                | 11,209,299               |              |                     |
| 21. Increase in reserves for accident and health contracts                       | 0             |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 22. Increase in reserves for life contracts                                      | 0             | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          |                     |
| 23. Total underwriting deductions (Lines 17 to 22)                               | 1,639,351,239 | (30,653)                              | 0                      | 0              | 0              | 0                                               | 1,522,143,041              | 117,238,851              | 0            | 0                   |
| 24. Total underwriting gain or (loss) (Line 7 minus Line 23)                     | 28,352,761    | 30,653                                | 0                      | 0              | 0              | 0                                               | (5,514,380)                | 33,836,488               | 0            | 0                   |
| DETAILS OF WRITE-INS                                                             |               |                                       |                        |                |                |                                                 |                            |                          |              |                     |
| 0501. Health Insurance Industry Fee Recoupment                                   | 1,384,846     |                                       |                        |                |                |                                                 | 261,322                    | 1,123,524                |              | XXX                 |
| 0502. Living Well Premiums                                                       | 87,891        |                                       |                        |                |                |                                                 | 87,891                     |                          |              | XXX                 |
| 0503.                                                                            |               |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 0598. Summary of remaining write-ins for Line 5 from overflow page               | 0             | 0                                     | 0                      | 0              | 0              | 0                                               | 0                          | 0                        | 0            | XXX                 |
| 0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)                     | 1,472,737     | 0                                     | 0                      | 0              | 0              | 0                                               | 349,213                    | 1,123,524                | 0            | XXX                 |
| 0601.                                                                            |               | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          |                     |
| 0602.                                                                            |               | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          |                     |
| 0603.                                                                            |               | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          |                     |
| 0698. Summary of remaining write-ins for Line 6 from overflow page               | 0             | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          | 0                   |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)                     | 0             | XXX                                   | XXX                    | XXX            | XXX            | XXX                                             | XXX                        | XXX                      | XXX          | 0                   |
| 1301.                                                                            |               |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 1302.                                                                            |               |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 1303.                                                                            |               |                                       |                        |                |                |                                                 |                            |                          |              | XXX                 |
| 1398. Summary of remaining write-ins for Line 13 from overflow page              | 0             | 0                                     | 0                      | 0              | 0              | 0                                               | 0                          | 0                        | 0            | XXX                 |
| 1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)                    | 0             | 0                                     | 0                      | 0              | 0              | 0                                               | 0                          | 0                        | 0            | XXX                 |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1 - PREMIUMS**

| Line of Business                                | 1<br>Direct<br>Business | 2<br>Reinsurance<br>Assumed | 3<br>Reinsurance<br>Ceded | 4<br>Net Premium<br>Income<br>(Cols. 1 + 2 - 3) |
|-------------------------------------------------|-------------------------|-----------------------------|---------------------------|-------------------------------------------------|
| 1. Comprehensive (hospital and medical) .....   |                         |                             |                           | 0                                               |
| 2. Medicare Supplement .....                    |                         |                             |                           | 0                                               |
| 3. Dental only .....                            |                         |                             |                           | 0                                               |
| 4. Vision only .....                            |                         |                             |                           | 0                                               |
| 5. Federal Employees Health Benefits Plan ..... | 0                       |                             |                           | 0                                               |
| 6. Title XVIII - Medicare .....                 | 1,516,279,448           |                             |                           | 1,516,279,448                                   |
| 7. Title XIX - Medicaid .....                   | 149,951,815             |                             |                           | 149,951,815                                     |
| 8. Other health .....                           |                         |                             |                           | 0                                               |
| 9. Health subtotal (Lines 1 through 8) .....    | 1,666,231,263           | 0                           | 0                         | 1,666,231,263                                   |
| 10. Life .....                                  | 0                       |                             |                           | 0                                               |
| 11. Property/casualty .....                     | 0                       |                             |                           | 0                                               |
| 12. Totals (Lines 9 to 11)                      | 1,666,231,263           | 0                           | 0                         | 1,666,231,263                                   |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - CLAIMS INCURRED DURING THE YEAR**

|                                                                  | 1             | 2                                     | 3                      | 4           | 5           | 6                                               | 7                          | 8                        | 9            | 10                  |
|------------------------------------------------------------------|---------------|---------------------------------------|------------------------|-------------|-------------|-------------------------------------------------|----------------------------|--------------------------|--------------|---------------------|
|                                                                  | Total         | Comprehensive<br>(Hospital & Medical) | Medicare<br>Supplement | Dental Only | Vision Only | Federal<br>Employees<br>Health<br>Benefits Plan | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other Health | Other<br>Non-Health |
| 1. Payments during the year:                                     |               |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 1.1 Direct                                                       | 1,363,103,382 | (38,356)                              |                        |             |             |                                                 | 1,254,326,166              | 108,815,572              |              |                     |
| 1.2 Reinsurance assumed                                          | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 1.3 Reinsurance ceded                                            | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 1.4 Net                                                          | 1,363,103,382 | (38,356)                              | 0                      | 0           | 0           | 0                                               | 1,254,326,166              | 108,815,572              | 0            | 0                   |
| 2. Paid medical incentive pools and bonuses                      | (1,811,977)   |                                       |                        |             |             |                                                 | (1,829,977)                | 18,000                   |              |                     |
| 3. Claim liability December 31, current year from Part 2A:       |               |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 3.1 Direct                                                       | 147,491,190   | 0                                     | 0                      | 0           | 0           | 0                                               | 127,454,257                | 20,036,933               | 0            | 0                   |
| 3.2 Reinsurance assumed                                          | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 3.3 Reinsurance ceded                                            | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 3.4 Net                                                          | 147,491,190   | 0                                     | 0                      | 0           | 0           | 0                                               | 127,454,257                | 20,036,933               | 0            | 0                   |
| 4. Claim reserve December 31, current year from Part 2D:         |               |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 4.1 Direct                                                       | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 4.2 Reinsurance assumed                                          | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 4.3 Reinsurance ceded                                            | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 4.4 Net                                                          | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 5. Accrued medical incentive pools and bonuses, current year     | 9,611,017     |                                       |                        |             |             |                                                 | 9,611,017                  |                          |              |                     |
| 6. Net healthcare receivables (a)                                | (4,815,109)   |                                       |                        |             |             |                                                 | (8,201,001)                | 3,385,892                |              |                     |
| 7. Amounts recoverable from reinsurers December 31, current year | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 8. Claim liability December 31, prior year from Part 2A:         |               |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 8.1 Direct                                                       | 142,824,126   | 0                                     | 0                      | 0           | 0           | 0                                               | 117,793,080                | 25,031,046               | 0            | 0                   |
| 8.2 Reinsurance assumed                                          | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 8.3 Reinsurance ceded                                            | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 8.4 Net                                                          | 142,824,126   | 0                                     | 0                      | 0           | 0           | 0                                               | 117,793,080                | 25,031,046               | 0            | 0                   |
| 9. Claim reserve December 31, prior year from Part 2D:           |               |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 9.1 Direct                                                       | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 9.2 Reinsurance assumed                                          | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 9.3 Reinsurance ceded                                            | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 9.4 Net                                                          | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 10. Accrued medical incentive pools and bonuses, prior year      | 10,838,191    |                                       |                        |             |             |                                                 | 10,838,191                 |                          |              |                     |
| 11. Amounts recoverable from reinsurers December 31, prior year  | 0             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 12. Incurred Benefits:                                           |               |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 12.1 Direct                                                      | 1,372,585,555 | (38,356)                              | 0                      | 0           | 0           | 0                                               | 1,272,188,344              | 100,435,567              | 0            | 0                   |
| 12.2 Reinsurance assumed                                         | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 12.3 Reinsurance ceded                                           | 0             | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0            | 0                   |
| 12.4 Net                                                         | 1,372,585,555 | (38,356)                              | 0                      | 0           | 0           | 0                                               | 1,272,188,344              | 100,435,567              | 0            | 0                   |
| 13. Incurred medical incentive pools and bonuses                 | (3,039,151)   | 0                                     | 0                      | 0           | 0           | 0                                               | (3,057,151)                | 18,000                   | 0            | 0                   |

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR**

|                                                       | 1           | 2                                     | 3                      | 4           | 5           | 6                                               | 7                          | 8                        | 9            | 10                  |
|-------------------------------------------------------|-------------|---------------------------------------|------------------------|-------------|-------------|-------------------------------------------------|----------------------------|--------------------------|--------------|---------------------|
|                                                       | Total       | Comprehensive<br>(Hospital & Medical) | Medicare<br>Supplement | Dental Only | Vision Only | Federal<br>Employees<br>Health<br>Benefits Plan | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other Health | Other<br>Non-Health |
| 1. Reported in Process of Adjustment:                 |             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 1.1 Direct .....                                      | 28,995,554  |                                       |                        |             |             |                                                 | 26,120,706                 | 2,874,848                |              |                     |
| 1.2 Reinsurance assumed .....                         | .0          |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 1.3 Reinsurance ceded .....                           | .0          |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 1.4 Net .....                                         | 28,995,554  | .0                                    | .0                     | .0          | .0          | .0                                              | 26,120,706                 | 2,874,848                | .0           | .0                  |
| 2. Incurred but Unreported:                           |             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 2.1 Direct .....                                      | 118,495,636 |                                       |                        |             |             |                                                 | 101,333,551                | 17,162,085               |              |                     |
| 2.2 Reinsurance assumed .....                         | .0          |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 2.3 Reinsurance ceded .....                           | .0          |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 2.4 Net .....                                         | 118,495,636 | .0                                    | .0                     | .0          | .0          | .0                                              | 101,333,551                | 17,162,085               | .0           | .0                  |
| 3. Amounts Withheld from Paid Claims and Capitations: |             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 3.1 Direct .....                                      | .0          |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 3.2 Reinsurance assumed .....                         | .0          |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 3.3 Reinsurance ceded .....                           | .0          |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 3.4 Net .....                                         | .0          | .0                                    | .0                     | .0          | .0          | .0                                              | .0                         | .0                       | .0           | .0                  |
| 4. TOTALS:                                            |             |                                       |                        |             |             |                                                 |                            |                          |              |                     |
| 4.1 Direct .....                                      | 147,491,190 | .0                                    | .0                     | .0          | .0          | .0                                              | 127,454,257                | 20,036,933               | .0           | .0                  |
| 4.2 Reinsurance assumed .....                         | .0          | .0                                    | .0                     | .0          | .0          | .0                                              | .0                         | .0                       | .0           | .0                  |
| 4.3 Reinsurance ceded .....                           | .0          | .0                                    | .0                     | .0          | .0          | .0                                              | .0                         | .0                       | .0           | .0                  |
| 4.4 Net .....                                         | 147,491,190 | 0                                     | 0                      | 0           | 0           | 0                                               | 127,454,257                | 20,036,933               | 0            | 0                   |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE**

| Line of Business                                    | Claims Paid During the Year                                 |                                       | Claim Reserve and Claim Liability<br>December 31 of Current Year |                                       | 5<br>Claims Incurred<br>In Prior Years<br>(Columns 1 + 3) | 6<br>Estimated Claim<br>Reserve and Claim<br>Liability<br>December 31 of<br>Prior Year |
|-----------------------------------------------------|-------------------------------------------------------------|---------------------------------------|------------------------------------------------------------------|---------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------------|
|                                                     | 1                                                           | 2                                     | 3                                                                | 4                                     |                                                           |                                                                                        |
|                                                     | On Claims Incurred<br>Prior to January 1<br>of Current Year | On Claims Incurred<br>During the Year | On Claims Unpaid<br>December 31 of<br>Prior Year                 | On Claims Incurred<br>During the Year |                                                           |                                                                                        |
| 1. Comprehensive (hospital and medical) .....       | (38,356)                                                    |                                       |                                                                  |                                       | (38,356)                                                  | 0                                                                                      |
| 2. Medicare Supplement .....                        |                                                             |                                       |                                                                  |                                       | 0                                                         | 0                                                                                      |
| 3. Dental Only .....                                |                                                             |                                       |                                                                  |                                       | 0                                                         | 0                                                                                      |
| 4. Vision Only .....                                |                                                             |                                       |                                                                  |                                       | 0                                                         | 0                                                                                      |
| 5. Federal Employees Health Benefits Plan .....     |                                                             |                                       |                                                                  |                                       | 0                                                         | 0                                                                                      |
| 6. Title XVIII - Medicare .....                     | 58,103,116                                                  | 1,196,223,049                         | 4,370,109                                                        | 123,084,148                           | 62,473,225                                                | 117,793,077                                                                            |
| 7. Title XIX - Medicaid .....                       | 21,081,601                                                  | 87,733,971                            | 1,083,694                                                        | 18,953,239                            | 22,165,295                                                | 25,031,046                                                                             |
| 8. Other health .....                               |                                                             |                                       |                                                                  |                                       | 0                                                         | 0                                                                                      |
| 9. Health subtotal (Lines 1 to 8) .....             | 79,146,361                                                  | 1,283,957,020                         | 5,453,803                                                        | 142,037,387                           | 84,600,164                                                | 142,824,123                                                                            |
| 10. Healthcare receivables (a) .....                |                                                             | 15,932,634                            |                                                                  | 15,572,764                            | 0                                                         | 36,320,507                                                                             |
| 11. Other non-health .....                          |                                                             |                                       |                                                                  |                                       | 0                                                         | 0                                                                                      |
| 12. Medical incentive pools and bonus amounts ..... | 16,628,891                                                  | (18,440,868)                          | 1,000,505                                                        | 8,610,512                             | 17,629,396                                                | 10,838,191                                                                             |
| 13. Totals (Lines 9 - 10 + 11 + 12)                 | 95,775,252                                                  | 1,249,583,518                         | 6,454,308                                                        | 135,075,135                           | 102,229,560                                               | 117,341,807                                                                            |

(a) Excludes \$ ..... loans or advances to providers not yet expensed.

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

#### Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

| Year in Which Losses Were Incurred |       | Cumulative Net Amounts Paid |           |           |           |           |
|------------------------------------|-------|-----------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                   | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 568                         | 567       | 3,127     | 3,127     | 3,127     |
| 2.                                 | 2012  | 3,019                       | 3,841     | 3,841     | 3,786     | 3,786     |
| 3.                                 | 2013  | XXX                         | 0         |           | 0         | (38)      |
| 4.                                 | 2014  | XXX                         | XXX       | (11)      | 0         | 0         |
| 5.                                 | 2015  | XXX                         | XXX       | XXX       | 0         | 0         |
| 6.                                 | 2016  | XXX                         | XXX       | XXX       | XXX       | 0         |

#### Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

| Year in Which Losses Were Incurred |       | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year |           |           |           |           |
|------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                                                                                                                              | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 1,473                                                                                                                                  | 2,903     | 3,127     | 3,127     | 3,127     |
| 2.                                 | 2012  | 3,784                                                                                                                                  | 4,607     | 3,841     | 3,786     | 3,786     |
| 3.                                 | 2013  | XXX                                                                                                                                    | 0         |           | 0         | (38)      |
| 4.                                 | 2014  | XXX                                                                                                                                    | XXX       | (11)      | 0         | 0         |
| 5.                                 | 2015  | XXX                                                                                                                                    | XXX       | XXX       | 0         | 0         |
| 6.                                 | 2016  | XXX                                                                                                                                    | XXX       | XXX       | XXX       | 0         |

#### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

| Years in which<br>Premiums were Earned and Claims<br>were Incurred | 1<br>Premiums Earned | 2<br>Claims Payment | 3<br>Claim Adjustment<br>Expense Payments | 4<br>(Col. 3/2)<br>Percent | 5<br>Claim and Claim<br>Adjustment Expense<br>Payments<br>(Col. 2 + 3) | 6<br>(Col. 5/1)<br>Percent | 7<br>Claims Unpaid | 8<br>Unpaid Claims<br>Adjustment<br>Expenses | 9<br>Total Claims and<br>Claims Adjustment<br>Expense Incurred<br>(Col. 5+7+8) | 10<br>(Col. 9/1)<br>Percent |
|--------------------------------------------------------------------|----------------------|---------------------|-------------------------------------------|----------------------------|------------------------------------------------------------------------|----------------------------|--------------------|----------------------------------------------|--------------------------------------------------------------------------------|-----------------------------|
| 1. 2012                                                            | 3,984                | 3,786               | 132                                       | 3.5                        | 3,918                                                                  | 98.3                       |                    |                                              | 3,918                                                                          | 98.3                        |
| 2. 2013                                                            |                      | (38)                | (3)                                       | 7.9                        | (41)                                                                   | 0.0                        |                    |                                              | (41)                                                                           | 0.0                         |
| 3. 2014                                                            |                      |                     |                                           | 0.0                        | 0                                                                      | 0.0                        |                    |                                              | 0                                                                              | 0.0                         |
| 4. 2015                                                            | 0                    |                     |                                           | 0.0                        | 0                                                                      | 0.0                        |                    |                                              | 0                                                                              | 0.0                         |
| 5. 2016                                                            |                      |                     |                                           | 0.0                        | 0                                                                      | 0.0                        |                    |                                              | 0                                                                              | 0.0                         |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

#### Section A - Paid Health Claims - Title XVIII

| Year in Which Losses Were Incurred |       | Cumulative Net Amounts Paid |           |           |           |           |
|------------------------------------|-------|-----------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                   | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 76,779                      | 75,765    | 662,972   | 662,972   | 662,972   |
| 2.                                 | 2012  | 733,644                     | 799,643   | 799,643   | 799,366   | 799,366   |
| 3.                                 | 2013  | XXX                         | 894,734   | 996,797   | 995,734   | 995,765   |
| 4.                                 | 2014  | XXX                         | XXX       | 1,001,149 | 1,104,870 | 1,106,130 |
| 5.                                 | 2015  | XXX                         | XXX       | XXX       | 1,059,705 | 1,141,303 |
| 6.                                 | 2016  | XXX                         | XXX       | XXX       | XXX       | 1,177,808 |

#### Section B - Incurred Health Claims - Title XVIII

| Year in Which Losses Were Incurred |       | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year |           |           |           |           |
|------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                                                                                                                              | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 157,430                                                                                                                                | 73,430    | 662,972   | 662,972   | 662,972   |
| 2.                                 | 2012  | 819,358                                                                                                                                | 799,706   | 799,643   | 799,367   | 799,366   |
| 3.                                 | 2013  | XXX                                                                                                                                    | 1,005,548 | 998,547   | 995,751   | 995,765   |
| 4.                                 | 2014  | XXX                                                                                                                                    | XXX       | 1,102,698 | 1,106,659 | 1,106,130 |
| 5.                                 | 2015  | XXX                                                                                                                                    | XXX       | XXX       | 1,186,529 | 1,146,673 |
| 6.                                 | 2016  | XXX                                                                                                                                    | XXX       | XXX       | XXX       | 1,309,503 |

#### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

| Years in which<br>Premiums were Earned and Claims<br>were Incurred | 1<br>Premiums Earned | 2<br>Claims Payment | 3<br>Claim Adjustment<br>Expense Payments | 4<br>(Col. 3/2)<br>Percent | 5<br>Claim and Claim<br>Adjustment Expense<br>Payments<br>(Col. 2 + 3) | 6<br>(Col. 5/1)<br>Percent | 7<br>Claims Unpaid | 8<br>Unpaid Claims<br>Adjustment<br>Expenses | 9<br>Total Claims and<br>Claims Adjustment<br>Expense Incurred<br>(Col. 5+7+8) | 10<br>(Col. 9/1)<br>Percent |
|--------------------------------------------------------------------|----------------------|---------------------|-------------------------------------------|----------------------------|------------------------------------------------------------------------|----------------------------|--------------------|----------------------------------------------|--------------------------------------------------------------------------------|-----------------------------|
| 1.                                                                 | 1,048,138            | 799,366             | 32,640                                    | 4.1                        | 832,006                                                                | 79.4                       |                    |                                              | 832,006                                                                        | 79.4                        |
| 2.                                                                 | 1,170,074            | 995,765             | 30,526                                    | 3.1                        | 1,026,291                                                              | 87.7                       |                    |                                              | 1,026,291                                                                      | 87.7                        |
| 3.                                                                 | 1,315,510            | 1,106,130           | 33,802                                    | 3.1                        | 1,139,932                                                              | 86.7                       |                    |                                              | 1,139,932                                                                      | 86.7                        |
| 4.                                                                 | 1,437,537            | 1,141,303           | 47,614                                    | 4.2                        | 1,188,917                                                              | 82.7                       | 5,371              | 91                                           | 1,194,379                                                                      | 83.1                        |
| 5.                                                                 | 1,516,279            | 1,177,808           | 79,638                                    | 6.8                        | 1,257,446                                                              | 82.9                       | 131,695            | 2,223                                        | 1,391,364                                                                      | 91.8                        |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

#### Section A - Paid Health Claims - Title XIX

| Year in Which Losses Were Incurred |       | Cumulative Net Amounts Paid |           |           |           |           |
|------------------------------------|-------|-----------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                   | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 0                           | 0         | 0         | 0         |           |
| 2.                                 | 2012  |                             |           |           |           |           |
| 3.                                 | 2013  | XXX                         |           |           |           |           |
| 4.                                 | 2014  | XXX                         | XXX       | 7,755     | 11,090    | 11,412    |
| 5.                                 | 2015  | XXX                         | XXX       | XXX       | 107,242   | 128,002   |
| 6.                                 | 2016  | XXX                         | XXX       | XXX       | XXX       | 84,366    |

#### Section B - Incurred Health Claims - Title XIX

| Year in Which Losses Were Incurred |       | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year |           |           |           |           |
|------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                                                                                                                              | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 0                                                                                                                                      | 0         | 0         | 0         |           |
| 2.                                 | 2012  |                                                                                                                                        |           |           |           |           |
| 3.                                 | 2013  | XXX                                                                                                                                    |           |           |           |           |
| 4.                                 | 2014  | XXX                                                                                                                                    | XXX       | 34,387    | 11,127    | 11,412    |
| 5.                                 | 2015  | XXX                                                                                                                                    | XXX       | XXX       | 132,236   | 129,086   |
| 6.                                 | 2016  | XXX                                                                                                                                    | XXX       | XXX       | XXX       | 103,319   |

#### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XIX

| Years in which<br>Premiums were Earned and Claims<br>were Incurred | 1<br>Premiums Earned | 2<br>Claims Payment | 3<br>Claim Adjustment<br>Expense Payments | 4<br>(Col. 3/2)<br>Percent | 5<br>Claim and Claim<br>Adjustment Expense<br>Payments<br>(Col. 2 + 3) | 6<br>(Col. 5/1)<br>Percent | 7<br>Claims Unpaid | 8<br>Unpaid Claims<br>Adjustment<br>Expenses | 9<br>Total Claims and<br>Claims Adjustment<br>Expense Incurred<br>(Col. 5+7+8) | 10<br>(Col. 9/1)<br>Percent |
|--------------------------------------------------------------------|----------------------|---------------------|-------------------------------------------|----------------------------|------------------------------------------------------------------------|----------------------------|--------------------|----------------------------------------------|--------------------------------------------------------------------------------|-----------------------------|
| 1. 2012                                                            |                      |                     |                                           | 0.0                        | 0                                                                      | 0.0                        |                    |                                              | 0                                                                              | 0.0                         |
| 2. 2013                                                            |                      |                     |                                           | 0.0                        | 0                                                                      | 0.0                        |                    |                                              | 0                                                                              | 0.0                         |
| 3. 2014                                                            | 50,599               | 11,412              | 25                                        | 0.2                        | 11,437                                                                 | 22.6                       |                    |                                              | 11,437                                                                         | 22.6                        |
| 4. 2015                                                            | 151,283              | 128,002             | 1,126                                     | 0.9                        | 129,128                                                                | 85.4                       | 1,084              | 18                                           | 130,230                                                                        | 86.1                        |
| 5. 2016                                                            | 149,952              | 84,366              | 4,640                                     | 5.5                        | 89,006                                                                 | 59.4                       | 18,953             | 312                                          | 108,271                                                                        | 72.2                        |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

#### Section A - Paid Health Claims - Grand Total

| Year in Which Losses Were Incurred |       | Cumulative Net Amounts Paid |           |           |           |           |
|------------------------------------|-------|-----------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                   | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 77,347                      | 76,332    | 666,099   | 666,099   | 666,099   |
| 2.                                 | 2012  | 736,663                     | 803,484   | 803,484   | 803,152   | 803,152   |
| 3.                                 | 2013  | XXX                         | 894,734   | 996,797   | 995,734   | 995,727   |
| 4.                                 | 2014  | XXX                         | XXX       | 1,008,893 | 1,115,960 | 1,117,542 |
| 5.                                 | 2015  | XXX                         | XXX       | XXX       | 1,166,947 | 1,269,305 |
| 6.                                 | 2016  | XXX                         | XXX       | XXX       | XXX       | 1,262,174 |

#### Section B - Incurred Health Claims - Grand Total

| Year in Which Losses Were Incurred |       | Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year |           |           |           |           |
|------------------------------------|-------|----------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                    |       | 1<br>2012                                                                                                                              | 2<br>2013 | 3<br>2014 | 4<br>2015 | 5<br>2016 |
| 1.                                 | Prior | 158,903                                                                                                                                | 76,333    | 666,099   | 666,099   | 666,099   |
| 2.                                 | 2012  | 823,142                                                                                                                                | 804,313   | 803,484   | 803,153   | 803,152   |
| 3.                                 | 2013  | XXX                                                                                                                                    | 1,005,548 | 998,547   | 995,751   | 995,727   |
| 4.                                 | 2014  | XXX                                                                                                                                    | XXX       | 1,137,074 | 1,117,786 | 1,117,542 |
| 5.                                 | 2015  | XXX                                                                                                                                    | XXX       | XXX       | 1,318,765 | 1,275,759 |
| 6.                                 | 2016  | XXX                                                                                                                                    | XXX       | XXX       | XXX       | 1,412,822 |

#### Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

| Years in which<br>Premiums were Earned and Claims<br>were Incurred | 1<br>Premiums Earned | 2<br>Claims Payment | 3<br>Claim Adjustment<br>Expense Payments | 4<br>(Col. 3/2)<br>Percent | 5<br>Claim and Claim<br>Adjustment Expense<br>Payments<br>(Col. 2 + 3) | 6<br>(Col. 5/1)<br>Percent | 7<br>Claims Unpaid | 8<br>Unpaid Claims<br>Adjustment<br>Expenses | 9<br>Total Claims and<br>Claims Adjustment<br>Expense Incurred<br>(Col. 5+7+8) | 10<br>(Col. 9/1)<br>Percent |
|--------------------------------------------------------------------|----------------------|---------------------|-------------------------------------------|----------------------------|------------------------------------------------------------------------|----------------------------|--------------------|----------------------------------------------|--------------------------------------------------------------------------------|-----------------------------|
| 1.                                                                 | 1,052,122            | 803,152             | 32,772                                    | 4.1                        | 835,924                                                                | 79.5                       | 0                  | 0                                            | 835,924                                                                        | 79.5                        |
| 2.                                                                 | 1,170,074            | 995,727             | 30,523                                    | 3.1                        | 1,026,250                                                              | 87.7                       | 0                  | 0                                            | 1,026,250                                                                      | 87.7                        |
| 3.                                                                 | 1,366,109            | 1,117,542           | 33,827                                    | 3.0                        | 1,151,369                                                              | 84.3                       | 0                  | 0                                            | 1,151,369                                                                      | 84.3                        |
| 4.                                                                 | 1,588,820            | 1,269,305           | 48,740                                    | 3.8                        | 1,318,045                                                              | 83.0                       | 6,455              | 109                                          | 1,324,609                                                                      | 83.4                        |
| 5.                                                                 | 1,666,231            | 1,262,174           | 84,278                                    | 6.7                        | 1,346,452                                                              | 80.8                       | 150,648            | 2,535                                        | 1,499,635                                                                      | 90.0                        |

## UNDERWRITING AND INVESTMENT EXHIBIT

### PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

|                                                                                                                | 1         | 2                                     | 3                      | 4           | 5           | 6                                               | 7                          | 8                        | 9     |
|----------------------------------------------------------------------------------------------------------------|-----------|---------------------------------------|------------------------|-------------|-------------|-------------------------------------------------|----------------------------|--------------------------|-------|
|                                                                                                                | Total     | Comprehensive<br>(Hospital & Medical) | Medicare<br>Supplement | Dental Only | Vision Only | Federal<br>Employees<br>Health<br>Benefits Plan | Title<br>XVIII<br>Medicare | Title<br>XIX<br>Medicaid | Other |
| 1. Unearned premium reserves .....                                                                             | 0         |                                       |                        |             |             |                                                 |                            |                          |       |
| 2. Additional policy reserves (a) .....                                                                        | 0         |                                       |                        |             |             |                                                 |                            |                          |       |
| 3. Reserve for future contingent benefits .....                                                                | 0         |                                       |                        |             |             |                                                 |                            |                          |       |
| 4. Reserve for rate credits or experience rating refunds (including<br>\$ .....0 ) for investment income ..... | 1,702,488 |                                       |                        |             |             |                                                 |                            | 1,702,488                |       |
| 5. Aggregate write-ins for other policy reserves .....                                                         | 2,182,232 | 0                                     | 0                      | 0           | 0           | 0                                               | 2,182,232                  | 0                        | 0     |
| 6. Totals (gross) .....                                                                                        | 3,884,720 | 0                                     | 0                      | 0           | 0           | 0                                               | 2,182,232                  | 1,702,488                | 0     |
| 7. Reinsurance ceded .....                                                                                     | 0         |                                       |                        |             |             |                                                 |                            |                          |       |
| 8. Totals (Net)(Page 3, Line 4) .....                                                                          | 3,884,720 | 0                                     | 0                      | 0           | 0           | 0                                               | 2,182,232                  | 1,702,488                | 0     |
| 9. Present value of amounts not yet due on claims .....                                                        | 0         |                                       |                        |             |             |                                                 |                            |                          |       |
| 10. Reserve for future contingent benefits .....                                                               | 0         |                                       |                        |             |             |                                                 |                            |                          |       |
| 11. Aggregate write-ins for other claim reserves .....                                                         | 0         | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0     |
| 12. Totals (gross) .....                                                                                       | 0         | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0     |
| 13. Reinsurance ceded .....                                                                                    | 0         |                                       |                        |             |             |                                                 |                            |                          |       |
| 14. Totals (Net)(Page 3, Line 7)                                                                               | 0         | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0     |
| <b>DETAILS OF WRITE-INS</b>                                                                                    |           |                                       |                        |             |             |                                                 |                            |                          |       |
| 0501. CMS Risk Corridor .....                                                                                  | 2,182,232 |                                       |                        |             |             |                                                 | 2,182,232                  |                          |       |
| 0502. ....                                                                                                     |           |                                       |                        |             |             |                                                 |                            |                          |       |
| 0503. ....                                                                                                     |           |                                       |                        |             |             |                                                 |                            |                          |       |
| 0598. Summary of remaining write-ins for Line 5 from overflow page.....                                        | 0         | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0     |
| 0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)                                                   | 2,182,232 | 0                                     | 0                      | 0           | 0           | 0                                               | 2,182,232                  | 0                        | 0     |
| 1101. ....                                                                                                     |           |                                       |                        |             |             |                                                 |                            |                          |       |
| 1102. ....                                                                                                     |           |                                       |                        |             |             |                                                 |                            |                          |       |
| 1103. ....                                                                                                     |           |                                       |                        |             |             |                                                 |                            |                          |       |
| 1198. Summary of remaining write-ins for Line 11 from overflow page .....                                      | 0         | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0     |
| 1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)                                                  | 0         | 0                                     | 0                      | 0           | 0           | 0                                               | 0                          | 0                        | 0     |

(a) Includes \$ .....0 premium deficiency reserve.

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 3 - ANALYSIS OF EXPENSES**

|                                                                            | Claim Adjustment Expenses            |                                            | 3<br>General<br>Administrative<br>Expenses | 4<br>Investment<br>Expenses | 5<br>Total      |
|----------------------------------------------------------------------------|--------------------------------------|--------------------------------------------|--------------------------------------------|-----------------------------|-----------------|
|                                                                            | 1<br>Cost<br>Containment<br>Expenses | 2<br>Other Claim<br>Adjustment<br>Expenses |                                            |                             |                 |
| 1. Rent (\$ .....0 for occupancy of own building) .....                    | 731,215                              | 554,982                                    | 6,613,209                                  | 0                           | 7,899,406       |
| 2. Salary, wages and other benefits .....                                  | 61,691,968                           | 14,029,711                                 | 102,596,963                                | 0                           | 178,318,643     |
| 3. Commissions (less \$ .....0 ceded plus \$ .....0 assumed) .....         |                                      |                                            |                                            |                             | 0               |
| 4. Legal fees and expenses .....                                           | 32                                   | 2                                          | 15                                         | 0                           | 50              |
| 5. Certifications and accreditation fees .....                             |                                      |                                            |                                            |                             | 0               |
| 6. Auditing, actuarial and other consulting services .....                 | 6,900,598                            | 1,208,776                                  | 7,967,579                                  | 0                           | 16,076,953      |
| 7. Traveling expenses .....                                                | 792,355                              | 277,246                                    | 2,406,587                                  | 0                           | 3,476,188       |
| 8. Marketing and advertising .....                                         | 38,735                               | 15,235                                     | 836,307                                    | 0                           | 890,277         |
| 9. Postage, express and telephone .....                                    | 126,012                              | 135,226                                    | 1,061,366                                  | 0                           | 1,322,605       |
| 10. Printing and office supplies .....                                     | 807,035                              | 338,591                                    | 3,784,421                                  | 0                           | 4,930,047       |
| 11. Occupancy, depreciation and amortization .....                         |                                      |                                            |                                            |                             | 0               |
| 12. Equipment .....                                                        | 114,699                              | 38,004                                     | 374,803                                    | 0                           | 527,507         |
| 13. Cost or depreciation of EDP equipment and software .....               | 1,836                                | 173                                        | 252                                        | 0                           | 2,261           |
| 14. Outsourced services including EDP, claims, and other services .....    | (27,267)                             | 1,183,366                                  | 15,020,502                                 | 0                           | 16,176,602      |
| 15. Boards, bureaus and association fees .....                             | 55,627                               | 17,577                                     | 749,648                                    | 0                           | 822,851         |
| 16. Insurance, except on real estate .....                                 |                                      |                                            | 3,413                                      | 0                           | 3,413           |
| 17. Collection and bank service charges .....                              | 5,728                                | 938                                        | 30,391                                     | 0                           | 37,056          |
| 18. Group service and administration fees .....                            |                                      |                                            |                                            |                             | 0               |
| 19. Reimbursements by uninsured plans .....                                |                                      |                                            |                                            |                             | 0               |
| 20. Reimbursements from fiscal intermediaries .....                        |                                      |                                            |                                            |                             | 0               |
| 21. Real estate expenses .....                                             |                                      |                                            |                                            |                             | 0               |
| 22. Real estate taxes .....                                                |                                      |                                            |                                            |                             | 0               |
| 23. Taxes, licenses and fees:                                              |                                      |                                            |                                            |                             |                 |
| 23.1 State and local insurance taxes .....                                 |                                      |                                            | 27,293                                     | 0                           | 27,293          |
| 23.2 State premium taxes .....                                             |                                      |                                            |                                            |                             | 0               |
| 23.3 Regulatory authority licenses and fees .....                          |                                      |                                            | 32,526                                     | 0                           | 32,526          |
| 23.4 Payroll taxes .....                                                   | 3,579,226                            | 823,538                                    | 5,104,824                                  | 0                           | 9,507,587       |
| 23.5 Other (excluding federal income and real estate taxes) .....          | 0                                    | 0                                          | 25,760,908                                 | 0                           | 25,760,908      |
| 24. Investment expenses not included elsewhere .....                       | 0                                    | 0                                          | 0                                          | 338,988                     | 338,988         |
| 25. Aggregate write-ins for expenses .....                                 | 3,988,356                            | 23                                         | 4,285                                      | 0                           | 3,992,664       |
| 26. Total expenses incurred (Lines 1 to 25) .....                          | 78,806,155                           | 18,623,388                                 | 172,375,293                                | 338,988                     | (a) 270,143,824 |
| 27. Less expenses unpaid December 31, current year .....                   | 2,116,869                            | 526,913                                    | 294,683                                    | 0                           | 2,938,465       |
| 28. Add expenses unpaid December 31, prior year .....                      | 1,335,032                            | 811,534                                    | 349,163                                    |                             | 2,495,729       |
| 29. Amounts receivable relating to uninsured plans, prior year .....       |                                      |                                            | 34,144,330                                 |                             | 34,144,330      |
| 30. Amounts receivable relating to uninsured plans, current year .....     | 0                                    | 0                                          | 10,089,309                                 | 0                           | 10,089,309      |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) ..... | 78,024,318                           | 18,908,009                                 | 148,374,752                                | 338,988                     | 245,646,067     |
| <b>DETAILS OF WRITE-INS</b>                                                |                                      |                                            |                                            |                             |                 |
| 2501. Disease Management Program-Internal .....                            | 3,986,852                            |                                            |                                            |                             | 3,986,852       |
| 2502. Other General Expenses .....                                         | 1,504                                | 23                                         | 4,285                                      |                             | 5,812           |
| 2503. ....                                                                 |                                      |                                            |                                            |                             |                 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....  | 0                                    | 0                                          | 0                                          | 0                           | 0               |
| 2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....         | 3,988,356                            | 23                                         | 4,285                                      | 0                           | 3,992,664       |

(a) Includes management fees of \$ .....237,394,081 to affiliates and \$ .....0 to non-affiliates.

**EXHIBIT OF NET INVESTMENT INCOME**

|                                                                         | 1<br>Collected During Year | 2<br>Earned During Year |
|-------------------------------------------------------------------------|----------------------------|-------------------------|
| 1. U.S. government bonds                                                | (a) 3,228                  | 1,342                   |
| 1.1 Bonds exempt from U.S. tax                                          | (a)                        |                         |
| 1.2 Other bonds (unaffiliated)                                          | (a) 7,413,148              | 7,444,005               |
| 1.3 Bonds of affiliates                                                 | (a)                        |                         |
| 2.1 Preferred stocks (unaffiliated)                                     | (b)                        |                         |
| 2.11 Preferred stocks of affiliates                                     | (b)                        |                         |
| 2.2 Common stocks (unaffiliated)                                        |                            |                         |
| 2.21 Common stocks of affiliates                                        |                            |                         |
| 3. Mortgage loans                                                       | (c)                        |                         |
| 4. Real estate                                                          | (d)                        |                         |
| 5. Contract Loans                                                       |                            |                         |
| 6. Cash, cash equivalents and short-term investments                    | (e) 182,556                | 182,556                 |
| 7. Derivative instruments                                               | (f)                        |                         |
| 8. Other invested assets                                                |                            |                         |
| 9. Aggregate write-ins for investment income                            | 0                          | 0                       |
| 10. Total gross investment income                                       | 7,598,932                  | 7,627,903               |
| 11. Investment expenses                                                 |                            | (g) 338,988             |
| 12. Investment taxes, licenses and fees, excluding federal income taxes |                            | (g) 0                   |
| 13. Interest expense                                                    |                            | (h) 1,995               |
| 14. Depreciation on real estate and other invested assets               |                            | (i)                     |
| 15. Aggregate write-ins for deductions from investment income           |                            | 0                       |
| 16. Total deductions (Lines 11 through 15)                              |                            | 340,983                 |
| 17. Net investment income (Line 10 minus Line 16)                       |                            | 7,286,920               |
| <b>DETAILS OF WRITE-INS</b>                                             |                            |                         |
| 0901.                                                                   |                            |                         |
| 0902.                                                                   |                            |                         |
| 0903.                                                                   |                            |                         |
| 0998. Summary of remaining write-ins for Line 9 from overflow page      | 0                          | 0                       |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)           | 0                          | 0                       |
| 1501.                                                                   |                            |                         |
| 1502.                                                                   |                            |                         |
| 1503.                                                                   |                            |                         |
| 1598. Summary of remaining write-ins for Line 15 from overflow page     |                            | 0                       |
| 1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)          |                            | 0                       |

- (a) Includes \$ 236,622 accrual of discount less \$ 867,236 amortization of premium and less \$ 72,750 paid for accrued interest on purchases.
- (b) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$ 182,615 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$ investment expenses and \$ investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

**EXHIBIT OF CAPITAL GAINS (LOSSES)**

|                                                                    | 1                                            | 2                             | 3                                                        | 4                                              | 5                                                               |
|--------------------------------------------------------------------|----------------------------------------------|-------------------------------|----------------------------------------------------------|------------------------------------------------|-----------------------------------------------------------------|
|                                                                    | Realized Gain (Loss)<br>On Sales or Maturity | Other Realized<br>Adjustments | Total Realized Capital<br>Gain (Loss)<br>(Columns 1 + 2) | Change in<br>Unrealized Capital<br>Gain (Loss) | Change in Unrealized<br>Foreign Exchange<br>Capital Gain (Loss) |
| 1. U.S. Government bonds                                           | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 1.1 Bonds exempt from U.S. tax                                     |                                              |                               |                                                          |                                                |                                                                 |
| 1.2 Other bonds (unaffiliated)                                     | 804,174                                      | 0                             | 804,174                                                  | 17,556                                         | 0                                                               |
| 1.3 Bonds of affiliates                                            | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 2.1 Preferred stocks (unaffiliated)                                | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 2.11 Preferred stocks of affiliates                                | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 2.2 Common stocks (unaffiliated)                                   | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 2.21 Common stocks of affiliates                                   | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 3. Mortgage loans                                                  |                                              | 0                             | 0                                                        | 0                                              | 0                                                               |
| 4. Real estate                                                     |                                              | 0                             | 0                                                        | 0                                              | 0                                                               |
| 5. Contract loans                                                  |                                              | 0                             | 0                                                        | 0                                              | 0                                                               |
| 6. Cash, cash equivalents and short-term investments               | (1,991)                                      | 0                             | (1,991)                                                  | 0                                              | 0                                                               |
| 7. Derivative instruments                                          |                                              | 0                             | 0                                                        | 0                                              | 0                                                               |
| 8. Other invested assets                                           |                                              | 0                             | 0                                                        | 0                                              | 0                                                               |
| 9. Aggregate write-ins for capital gains (losses)                  | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 10. Total capital gains (losses)                                   | 802,183                                      | 0                             | 802,183                                                  | 17,556                                         | 0                                                               |
| <b>DETAILS OF WRITE-INS</b>                                        |                                              |                               |                                                          |                                                |                                                                 |
| 0901.                                                              |                                              |                               |                                                          |                                                |                                                                 |
| 0902.                                                              |                                              |                               |                                                          |                                                |                                                                 |
| 0903.                                                              |                                              |                               |                                                          |                                                |                                                                 |
| 0998. Summary of remaining write-ins for Line 9 from overflow page | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)      | 0                                            | 0                             | 0                                                        | 0                                              | 0                                                               |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**EXHIBIT OF NON-ADMITTED ASSETS**

|                                                                                                                         | 1                                        | 2                                      | 3                                                          |
|-------------------------------------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------------|
|                                                                                                                         | Current Year Total<br>Nonadmitted Assets | Prior Year Total<br>Nonadmitted Assets | Change in Total<br>Nonadmitted Assets<br>(Col. 2 - Col. 1) |
| 1. Bonds (Schedule D) .....                                                                                             |                                          |                                        | 0                                                          |
| 2. Stocks (Schedule D):                                                                                                 |                                          |                                        |                                                            |
| 2.1 Preferred stocks .....                                                                                              |                                          |                                        | 0                                                          |
| 2.2 Common stocks .....                                                                                                 |                                          |                                        | 0                                                          |
| 3. Mortgage loans on real estate (Schedule B):                                                                          |                                          |                                        |                                                            |
| 3.1 First liens .....                                                                                                   |                                          |                                        | 0                                                          |
| 3.2 Other than first liens.....                                                                                         |                                          |                                        | 0                                                          |
| 4. Real estate (Schedule A):                                                                                            |                                          |                                        |                                                            |
| 4.1 Properties occupied by the company .....                                                                            |                                          |                                        | 0                                                          |
| 4.2 Properties held for the production of income.....                                                                   |                                          |                                        | 0                                                          |
| 4.3 Properties held for sale .....                                                                                      |                                          |                                        | 0                                                          |
| 5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments<br>(Schedule DA) ..... |                                          |                                        | 0                                                          |
| 6. Contract loans .....                                                                                                 |                                          |                                        | 0                                                          |
| 7. Derivatives (Schedule DB) .....                                                                                      |                                          |                                        | 0                                                          |
| 8. Other invested assets (Schedule BA) .....                                                                            |                                          |                                        | 0                                                          |
| 9. Receivables for securities .....                                                                                     |                                          |                                        | 0                                                          |
| 10. Securities lending reinvested collateral assets (Schedule DL) .....                                                 |                                          |                                        | 0                                                          |
| 11. Aggregate write-ins for invested assets .....                                                                       | 0                                        | 0                                      | 0                                                          |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) .....                                                           | 0                                        | 0                                      | 0                                                          |
| 13. Title plants (for Title insurers only) .....                                                                        |                                          |                                        | 0                                                          |
| 14. Investment income due and accrued .....                                                                             |                                          |                                        | 0                                                          |
| 15. Premiums and considerations:                                                                                        |                                          |                                        |                                                            |
| 15.1 Uncollected premiums and agents' balances in the course of collection .....                                        | 1,037,427                                |                                        | (1,037,427)                                                |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....                     |                                          |                                        | 0                                                          |
| 15.3 Accrued retrospective premiums and contracts subject to redetermination .....                                      |                                          |                                        | 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 .....                                      |                                          |                                        | 0                                                          |
| 18.2 Net deferred tax asset .....                                                                                       | 115,918                                  | 122,063                                | 6,145                                                      |
| 19. Guaranty funds receivable or on deposit .....                                                                       |                                          |                                        | 0                                                          |
| 20. Electronic data processing equipment and software .....                                                             |                                          |                                        | 0                                                          |
| 21. Furniture and equipment, including health care delivery assets .....                                                |                                          |                                        | 0                                                          |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....                                        |                                          |                                        | 0                                                          |
| 23. Receivable from parent, subsidiaries and affiliates .....                                                           | 14,946,266                               | 14,903,278                             | (42,988)                                                   |
| 24. Health care and other amounts receivable .....                                                                      | 210,705                                  | 5,049,289                              | 4,838,584                                                  |
| 25. Aggregate write-ins for other than invested assets .....                                                            | 0                                        | 0                                      | 0                                                          |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts<br>(Lines 12 to 25) ..... | 16,310,316                               | 20,074,630                             | 3,764,314                                                  |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....                                       |                                          |                                        | 0                                                          |
| 28. Total (Lines 26 and 27)                                                                                             | 16,310,316                               | 20,074,630                             | 3,764,314                                                  |
| <b>DETAILS OF WRITE-INS</b>                                                                                             |                                          |                                        |                                                            |
| 1101. ....                                                                                                              |                                          |                                        |                                                            |
| 1102. ....                                                                                                              |                                          |                                        |                                                            |
| 1103. ....                                                                                                              |                                          |                                        |                                                            |
| 1198. Summary of remaining write-ins for Line 11 from overflow page .....                                               | 0                                        | 0                                      | 0                                                          |
| 1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)                                                            | 0                                        | 0                                      | 0                                                          |
| 2501. ....                                                                                                              |                                          |                                        |                                                            |
| 2502. ....                                                                                                              |                                          |                                        |                                                            |
| 2503. ....                                                                                                              |                                          |                                        |                                                            |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....                                               | 0                                        | 0                                      | 0                                                          |
| 2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)                                                            | 0                                        | 0                                      | 0                                                          |

**EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY**

| Source of Enrollment                                                     | Total Members at End of |                    |                     |                    |                   | 6<br>Current Year<br>Member Months |
|--------------------------------------------------------------------------|-------------------------|--------------------|---------------------|--------------------|-------------------|------------------------------------|
|                                                                          | 1<br>Prior Year         | 2<br>First Quarter | 3<br>Second Quarter | 4<br>Third Quarter | 5<br>Current Year |                                    |
| 1. Health Maintenance Organizations .....                                | 130,212                 | 138,991            | 134,495             | 130,731            | 126,457           | 1,605,396                          |
| 2. Provider Service Organizations .....                                  |                         |                    |                     |                    |                   |                                    |
| 3. Preferred Provider Organizations .....                                |                         |                    |                     |                    |                   |                                    |
| 4. Point of Service .....                                                |                         |                    |                     |                    |                   |                                    |
| 5. Indemnity Only .....                                                  |                         |                    |                     |                    |                   |                                    |
| 6. Aggregate write-ins for other lines of business .....                 | 0                       | 0                  | 0                   | 0                  | 0                 | 0                                  |
| 7. Total                                                                 | 130,212                 | 138,991            | 134,495             | 130,731            | 126,457           | 1,605,396                          |
| <b>DETAILS OF WRITE-INS</b>                                              |                         |                    |                     |                    |                   |                                    |
| 0601. ....                                                               |                         |                    |                     |                    |                   |                                    |
| 0602. ....                                                               |                         |                    |                     |                    |                   |                                    |
| 0603. ....                                                               |                         |                    |                     |                    |                   |                                    |
| 0698. Summary of remaining write-ins for Line 6 from overflow page ..... | 0                       | 0                  | 0                   | 0                  | 0                 | 0                                  |
| 0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)             | 0                       | 0                  | 0                   | 0                  | 0                 | 0                                  |

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies and Going Concern

On July 23, 2015, Cigna entered into a definitive agreement to engage in a series of transactions to merge Cigna with Anthem, subject to certain terms, conditions and customary operating covenants, with Anthem continuing as the surviving company. At special shareholders' meetings in December 2015, Cigna shareholders approved the merger with Anthem and Anthem shareholders voted to approve the issuance of shares of Anthem common stock according to the merger agreement.

Consummation of the merger is subject to certain customary conditions, including the receipt of certain necessary governmental and regulatory approvals, and the absence of a legal restraint prohibiting the consummation of the merger. On July 21, 2016, the U.S. Department of Justice ("DOJ") and certain state attorneys general filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia (the "District Court") seeking to block the merger and, on January 4, 2017, the parties concluded the District Court trial. On February 8, 2017, the District Court issued an order enjoining the proposed merger. Anthem appealed this ruling to the U.S. Court of Appeals for the District of Columbia Circuit (the "Appeals Court"). Additionally, Cigna appealed the District Court ruling following the Chancery Court ruling described below.

On February 14, 2017, Cigna delivered a notice to Anthem terminating the merger agreement and filed suit in the Delaware Court of Chancery (the "Chancery Court") seeking, among other things, declaratory judgment that Cigna's termination of the merger agreement is lawful and that Anthem does not have the right to extend the merger agreement termination date. Later that day, Anthem filed a lawsuit in the Chancery Court against us seeking, among other things, a temporary restraining order to enjoin Cigna from terminating the merger agreement, specific performance and damages, and, on February 15, 2017, the Chancery Court issued an order temporarily enjoining Cigna from terminating the merger agreement. This order will be subject to further review at a preliminary injunction hearing.

See Note 14 for additional information about the proposed merger.

#### *Affordable Care Act Section 9010 Insurer Fee*

In January 2016, the federal appropriations legislation imposed a one-year moratorium on the Affordable Care Act ("ACA") Section 9010 insurer fee for 2017, with reinstatement expected in 2018. On January 1, 2016, the Company was subject to an annual fee under section 9010 of the Federal Affordable Care Act (ACA). Cigna covered entities' share of the annual fee is based on the ratio of the amount of their aggregate net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2016, the Company has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2017. The ACA fee assessment paid was \$25,760,908 in 2016 and \$25,896,944 in 2015.

#### A. Accounting Practices

The financial statements of HealthSpring of Tennessee, Inc. (the Company) are presented on the basis of accounting practices prescribed or permitted by the Tennessee Department of Commerce and Insurance (the Department).

The Department recognizes only statutory accounting practices prescribed or permitted by the state of Tennessee for determining and reporting the financial condition and results of operations of a Health Maintenance Organization (HMO) for determining solvency under Tennessee Insurance Law. The National Association of Insurance Commissioners' (the NAIC) *Accounting Practices and Procedures Manual* (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the state of Tennessee.

The state of Tennessee has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. The Department requires that receivables from the Company's parent, subsidiaries, and affiliates be non-admitted, as an approved management services agreement or other approved contract does not exist between the Company and its parent, ultimate parent, and most of its affiliates.

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

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

|                                                                                                          | <u>SSAP #</u> | <u>F/S Page</u> | <u>F/S Line #</u> | <u>2016</u>           | <u>2015</u>           |
|----------------------------------------------------------------------------------------------------------|---------------|-----------------|-------------------|-----------------------|-----------------------|
| <b><u>NET INCOME</u></b>                                                                                 |               |                 |                   |                       |                       |
| (1) State basis (Page 4, Line 32, Columns 2 & 3)                                                         | XXX           | XXX             | XXX               | \$ 14,169,389         | \$ 21,174,431         |
| (2) State Prescribed Practices that increase/(decrease) NAIC SAP:<br>None                                | -             | -               | -                 | -                     | -                     |
| (3) State Permitted Practices that increase/(decrease) NAIC SAP:<br>None                                 | -             | -               | -                 | -                     | -                     |
| (4) NAIC SAP (1-2-3=4)                                                                                   | XXX           | XXX             | XXX               | <u>\$ 14,169,389</u>  | <u>\$ 21,174,431</u>  |
| <b><u>SURPLUS</u></b>                                                                                    |               |                 |                   |                       |                       |
| (5) State basis (Page 3, Line 33, Columns 3 & 4)                                                         | XXX           | XXX             | XXX               | \$ 176,246,930        | \$ 159,296,902        |
| (6) State Prescribed Practices that increase/(decrease) NAIC SAP:<br>Receivable from parent & affiliates | 20, 21        | 2               | 23                | \$ (14,946,266)       | \$ (14,903,278)       |
| (7) State Permitted Practices that increase/(decrease) NAIC SAP:<br>None                                 | -             | -               | -                 | -                     | -                     |
| (8) Surplus per NAIC SAP (5-6-7=8)                                                                       | XXX           | XXX             | XXX               | <u>\$ 191,193,196</u> | <u>\$ 174,200,180</u> |

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

The preparation of financial statements in conformity with NAIC SAP 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. The most significant item subject to estimates and assumptions is the actuarially determined medical claims liabilities included in the financial statements. Other significant estimates are the estimated risk adjustment payments receivable from CMS, certain amounts recorded related the Medicare Part D (Part D) program, and unpaid claims adjustment expenses.

The Company estimates claims payable and liabilities for incurred but unreported claims by utilizing historical claims data and actuarially determined data, and adjusting the data by trend factors. Because actuarial information is utilized to project future liabilities, it is reasonably possible that the estimated liability may be adjusted in future periods upon receipt of more current information.

C. Accounting Policies

Net premium income on Medicare Advantage and Medicaid is due monthly from the Centers of Medicare and Medicaid Services (CMS) and the state of Illinois and is recognized as revenue during the period in which the Company is obligated to provide services to members. Premiums collected in advance are deferred and recorded as advance payments.

*Medicare Advantage:* The Company's Medicare premium revenue is subject to adjustment based on the health risk of its members. This process for adjusting premiums is referred to as the CMS risk adjustment payment methodology. Under the risk adjustment payment methodology, managed care plans must capture, collect, and report diagnosis code information to CMS. After reviewing the respective submissions, CMS establishes the payments to Medicare plans generally at the beginning of the calendar year, and then adjusts premium levels on two separate occasions on a retroactive basis. The first retroactive risk premium adjustment for a given fiscal year generally occurs during the third quarter of such fiscal year. This initial settlement (the Initial CMS Settlement) represents the updating of risk scores for the current year based on the prior year's dates of service. CMS then issues a final retroactive risk premium adjustment settlement for the fiscal year in the following year (the Final CMS Settlement) based on

the prior's dates of service. The Company estimates and records on a monthly basis both the Initial CMS Settlement and the Final CMS Settlement for the current CMS plan year. All such estimated amounts are periodically updated as necessary as additional diagnosis code information is reported to CMS and adjusted to actual amounts when the ultimate adjustment settlements are either received from CMS or the Company receives notification from CMS of such settlement amounts.

As a result of the variability of factors, including plan risk scores, that determine such estimations, the actual amount of CMS's retroactive risk premium settlement adjustments could be materially more or less than the Company's estimates. The Company's risk adjustment payments are subject to review and audit by CMS, which can potentially take several years to resolve completely. Any adjustment to net premium income and the related medical expense for risk-sharing arrangements with providers as a result of such review and audit would be recorded when estimable.

*Medicare Part D:* The Company provides prescription drug benefits pursuant to Medicare Advantage Part D. Prescription drug benefits under Medicare Advantage plans vary in terms of coverage levels and out-of-pocket costs for premiums, deductibles, and coinsurance. All Part D plans are required by law to offer either standard coverage or its actuarial equivalent (with out-of-pocket threshold and deductible amounts that do not exceed those of standard coverage). In addition to standard coverage plans, the Company offers supplemental benefits in excess of the standard coverage.

To participate in Part D, the Company was required to provide written bids to CMS, which among other items, included the estimated costs of providing prescription drug benefits. Payments from CMS are based on these estimated costs. The monthly Part D payments the Company receives from CMS for Part D plans generally represent the Company's bid amount for providing insurance coverage, both standard and supplemental, and is recognized monthly as net premium income. The amount of CMS payments relating to the Part D standard coverage for MA-PD and PDP plans is subject to adjustment, positive or negative, based upon the application of risk corridors that compare the Company's prescription drug costs in its bids to CMS to the Company's actual prescription drug costs. Variances exceeding certain thresholds may result in CMS making additional payments to the Company or the Company's refunding to CMS a portion of the premium payments it previously received. The Company estimates and recognizes an adjustment to net premium income related to estimated risk corridor payments based upon its actual prescription drug cost for each reporting period as if the annual contract were to end at the end of each reporting period, in accordance with NAIC Interpretation No. 05-05, *Accounting for Revenues under Medicare Part D Coverage*. Risk corridor adjustments do not take into account estimated future prescription drug costs.

The Company recognizes net premium income for the Part D payments received from CMS for which it assumes risk. Certain Part D payments from CMS represent payments for claims the Company pays for which it assumes no risk. The Company accounts for these subsidies as amounts receivable relating to uninsured plans or liability for amounts held under uninsured plans on the balance sheet. The Company does not recognize premium income or hospital, medical, and pharmaceutical expenses for these subsidies as these amounts represent pass-through payments from CMS to fund deductibles, copayments, and other member benefits.

The Company recognizes prescription drug costs as incurred, net of rebates from drug companies. The Company has subcontracted the prescription drug claims administration to a third-party pharmacy benefit manager.

Cost of care that is paid on a fee-for-service basis, a per diem basis, or other basis includes actual reported claims and an estimate of incurred but not reported (IBNR) claims. IBNR claims are estimated by using historical trends, current membership statistics, and other information. Cost of care paid on a capitation basis is recognized in the month of coverage. Cost of pharmaceuticals is recognized in the month incurred.

Acquisition costs are certain marketing costs that vary with, and are primarily related to, the acquisition of member contracts. These costs are expensed as incurred and are included in general and administrative expenses in the accompanying statement of revenue and expenses.

In the normal course of business, the Company enters into transactions involving various types of financial instruments. These financial instruments primarily include bonds on the balance sheet. These instruments may change in value due to interest rate and market

fluctuations and most also have credit risk. The Company evaluates and monitors each financial instrument individually. The Company did not have any off-balance sheet financial instruments as of December 31, 2016 and 2015.

Fair values of financial instruments are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no activity for the same or similar instruments, the Company estimates fair value using methods, models, and assumptions that the Company believes a hypothetical market participant would use to determine a current transaction price.

Cash and cash equivalents consist of cash and short-term investments that will mature in three months or less from the time of purchase.

Health premiums due and uncollected are recorded during the period the Company is obligated to provide services to members and do not bear interest. Balances greater than 90 days past due which are not reserved are included as non-admitted assets. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote. Health premiums under government insured plans, including amounts over 90 days due that qualify as accident and health contracts in accordance with SSAP No. 50, *Classifications and Definitions of Insurance or Managed Care Contracts in Force*, are included in admitted assets.

When interest and principal payments on bonds are current, the Company recognizes interest income when it is earned. The Company stops recognizing interest income when interest payments are 90 days past due or when certain terms (interest rate or maturity date) of the bond have been restructured. Investment income on these bonds is only recognized when interest payments are received.

Investments and investment income due and accrued are evaluated in accordance with SSAP No. 5R, *Liabilities, Contingencies, and Impairments of Assets – Revised* (SSAP 5R), to determine whether impairment exists. Any amounts determined to be uncollectible are written off through the statutory basis statements of income. No amounts were written off during 2016 or 2015.

Unrealized capital gains and losses on investments carried at fair value are reflected directly in unassigned surplus. Realized capital gains and losses resulting from sales and investment asset write-downs are based on specifically identified assets and are recognized in net income. The Company had no write-downs of investment assets in 2016 or 2015.

The Company is included in the consolidated United States federal income tax return filed by Cigna. Pursuant to the Tax Sharing Agreement with Cigna, federal income taxes are allocated to the Company as if it were filing on a separate return basis. The tax benefit of net operating losses, capital losses, and tax credits are funded to the extent they reduce the consolidated federal income tax liability. The Company generally recognizes deferred income taxes when assets and liabilities have different values for financial statement and tax reporting purposes (temporary differences). Limitations of the admitted amount of the deferred tax asset are calculated in accordance with SSAP No. 101, *Income Taxes – A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP 101). Additional detailed information about the Company's income taxes is disclosed in Note 9.

In accordance with various SSAP's, certain assets or certain portions of assets are excluded from the Company's admitted assets on its balance sheet through a direct charge to unassigned surplus. These nonadmitted assets may include intangible assets, capitalized software, furniture and equipment, leasehold improvements, unsecured receivables, prepaid expenses, overdue insurance premiums and subsidiary investments. Certain assets are limited by factors, such as a percentage of surplus, as to the amounts that qualify as admitted assets. Such assets may include electronic data processing equipment and deferred taxes.

The Company elected to use rounding in reporting certain amounts within the statement. The amounts in this statement pertain to the entire Company's business.

In addition, the Company uses the following accounting policies:

1. Investments with a maturity greater than three months but less than one year at the time of purchase are included in short-term investments and are carried at amortized cost.
2. Investments in bonds and short-term investments designated highest quality (NAIC-1) and high quality (NAIC-2) are carried at amortized cost. All others are carried at the lesser of cost or fair value. Amortization of bond premium or discount is calculated using the scientific (constant yield) interest method. Bonds containing call provisions are amortized to call value/date which produces the lowest asset value (yield to worst). Investments with original maturities of less than one year from the time of purchase are classified as short-term. Bonds are considered impaired and their cost basis is written down to fair value through net income, when management expects a decline in value to persist (i.e., the decline is other-than-temporary).
3. Common stocks – not applicable.
4. Preferred stocks – not applicable.
5. Mortgage loans – not applicable.
6. Loan-backed bonds and structured securities are stated at amortized cost using the constant yield method. Significant changes in estimated cash flows from the original purchase assumptions are accounted for generally using the retrospective 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.
7. Investments in subsidiaries, controlled, and affiliated (SCA) entities – not applicable.
8. Investments in joint ventures, partnerships, and limited liabilities companies – not applicable.
9. Derivatives – not applicable.
10. Aggregate Policy Reserves: The Company includes an accrual for losses where it is probable that expected future health care costs and maintenance costs under a group of existing contracts will exceed anticipated future premiums and insurance recoveries on those contracts, known as Premium Deficiency Reserve (PDR). The Company does not utilize anticipated investment income as a factor in the premium deficiency calculation.

The Affordable Care Act (ACA) requires health insurance issuers to submit data on the proportion of premium revenues spent on clinical services and quality improvement, also known as the Medical Loss Ratio (MLR). The Company includes an accrual for MLR rebates to enrollees if this percentage does not meet minimum standards.

11. Unpaid claims and claims adjustment expenses represent the Company's liability for services that have been performed by providers for members that have not been settled. These liabilities include medical claims reported to the Company, as well as an actuarially determined estimate of claims that have been incurred but not yet reported (IBNR) to the Company. The IBNR component is based upon the Company's historical claims data, current enrollment, health services utilization statistics and other related information. Estimating IBNR is complex and involves a significant amount of judgment. Changes in this estimate can materially affect, either favorably or unfavorably, the Company's statement of revenues and expenses or overall financial position.

The Company develops its estimate for IBNR using standard actuarial development methodologies, including the completion factor method. This method estimates liabilities for claims based upon the historical lag between the month when services are rendered and the month claims are paid and takes into consideration factors such as expected medical cost inflation, seasonality patterns, product mix, and membership changes. The completion factor is a measure of how complete the claims paid to date are relative to the estimate of the total claims for services rendered for a given reporting period. Although the completion factors are generally reliable for older service periods, they are more volatile, and hence less reliable, for

more recent periods, given that the typical billing lag for services can range from a week to as much as 90 days from the date of service. As a result, for the most recent two to four months, the estimate for incurred claims is developed by also considering recent per member per month claim trends.

Each period, the Company reexamines the previously established estimates of claims payable and liabilities for IBNR claims based on actual claim submissions and other relevant changes in facts and circumstances. As the estimated liabilities recorded in prior periods become more exact, the Company increases or decreases the amount of the estimates, and includes the changes in hospital, medical, and pharmaceutical expenses in the period in which the change is identified. Therefore, the Company's reported results include the effects of more completely developed estimates associated with prior years.

The Company contracts with physicians or provider groups to provide medical services to their members. The Company pays capitation or negotiated fees for defined services provided by the physicians. The Company and some of the physicians have entered into incentive sharing agreements. Under the terms of these agreements, certain providers are eligible to receive a provider bonus based on qualitative and quantitative factors. Incentive sharing balances are estimated using current experience to calculate the current receivable or payable for each contract. These estimates may be adjusted based on actual experience and contract terms. The incentive sharing receivables and payables are reported gross on the balance sheet. Incentive sharing receivables are admitted in accordance with SSAP No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans*.

Included in hospital, medical, and pharmaceutical expenses are claim payments, capitation payments, risk-sharing payments, and pharmacy costs, net of rebates, as well as estimates of future payments of claims provided for services rendered prior to year-end. Capitation payments represent monthly contractual fees disbursed to physicians and other providers who are responsible for providing medical care to members. Risk sharing payments represent amounts paid under risk sharing arrangements with providers including independent physician associations. Pharmacy costs represent payments for members' prescription drug benefits, net of rebates from drug manufacturers. Rebates are recognized when the rebates are earned according to the contractual arrangements with the respective vendors.

12. The Company has not modified its capitalization policy from the prior period.
13. Pharmacy rebate receivables consist of reasonably estimable amounts, based upon utilization data and past history, and billed amounts to pharmaceutical companies. In accordance with SSAP No. 84, *Health Care Receivables and Government Insured Plan Receivables*, pharmacy rebate receivables are included as Healthcare Receivables on the statutory basis statements of admitted assets, liabilities, and capital and surplus. The income from pharmacy rebates is reported as a reduction of claims expense in the statutory basis statements of income. Generally, rebate amounts are invoiced within fifteen days after each quarter-end and settled within 85 days of the invoice date. Pharmaceutical rebates billed but uncollected less than 90 days of invoice date have been admitted.
14. Claims overpayment receivables invoiced and expected to be collected within 90 days of invoice date have been admitted.
15. Effective January 1, 2015, the Company adopted SSAP No. 106, Affordable Care Act Assessments, for the annual health insurance industry fee imposed under Section 9010 of the Affordable Care Act. In December 2015, the federal appropriations legislation imposed a one-year moratorium on the ACA Section 9010 insurer fee for 2017, with reinstatement expected in 2018.

D. Going Concern - Not applicable

2. Accounting Changes and Corrections of Errors

A. Material Changes in Accounting Principles and/or Correction of Errors

Changes in Accounting Principles – On December 10, 2016, in response to industry comments, the NAIC adopted revisions to SSAP 35R (Ref #2016-38) to allow the consideration of renewals of in-force short-term health contracts when recognizing accruals

of premium tax credit assets in instances when retrospective-premium-based assessments are imposed on short-term health contracts for the insolvencies of insurers that wrote long-term care contracts. This guidance is effective January 1, 2017. This results in a difference from GAAP that does not allow consideration of expected renewals of short-duration contracts.

Corrections of Errors – During the current year’s financial statement preparation, the Company discovered an error in the statutory accounting of the allowance for bad debts. In the prior year, change in the allowance for bad debt ran through the Statement of Revenue and Expenses, Line 28 instead of nonadmitted assets through capital and surplus by \$24,501. There was no impact to capital and surplus.

3. Business Combinations and Goodwill

- A. Statutory Purchase Method – not applicable.
- B. Statutory Merger – not applicable.
- C. Assumption Reinsurance – not applicable.
- D. Impairment Loss – not applicable.

4. Discontinued Operations

- A. Discontinued Operation Disposed of or Classified as Held for Sale – not applicable.
- B. Change in Plan of Sale of Discontinued Operation – not applicable.
- C. Nature of Any Significant Continuing Involvement with Discontinued Operations After Disposal – not applicable.
- D. Equity Interest Retained in the Discontinued Operation After Disposal – not applicable.

5. Investments

- A. Mortgage Loans, including Mezzanine Real Estate Loans – not applicable.
- B. Debt Restructuring – not applicable.
- C. Reverse Mortgages – not applicable.
- D. Loan-Backed Securities
  - 1. Prepayment assumptions for loan-backed securities 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 December 31, 2016.
  - 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 December 31, 2016.

4. As of December 31, 2016, 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: | \$ | 1,042 |
| 2. 12 months or longer: | \$ | 4,896 |
- b. The aggregate related fair value of securities with unrealized losses:
- |                         |    |         |
|-------------------------|----|---------|
| 1. Less than 12 months: | \$ | 335,450 |
| 2. 12 months or longer: | \$ | 638,013 |

5. Management reviews loan-backed and other 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 and/or Securities Lending Transactions – not applicable.

F. Real Estate – not applicable.

G. Investments in Low Income Housing Tax Credits – not applicable.

H. Restricted Assets

(1) Restricted Assets (Including Pledged)

The Company has restricted assets of \$7,398,711 and \$7,388,289 on deposit with various regulatory agencies for the projection or benefit of enrolled members at December 31, 2016 and 2015, respectively. These amounts are reflected as bonds in the accompanying Balance Sheets. The following table presents the restricted assets as a percentage of total gross assets and total admitted assets.

| Restricted Asset Category                                             | 1                                                                 | 2                                                               | 3                               | 4                                         | 5                                                  | 6                                                                   | 7                                       |
|-----------------------------------------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------|-------------------------------------------|----------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------|
|                                                                       | Total Gross (Admitted & Nonadmitted) Restricted from Current Year | Total Gross (Admitted & Nonadmitted) Restricted from Prior Year | Increase (Decrease) (1 minus 2) | Total Current Year Nonadmitted Restricted | Total Current Year Admitted Restricted (1 minus 4) | Total Gross (Admitted & Nonadmitted) Restricted to Total Assets (a) | Admitted Restricted to Total Assets (b) |
| a. Subject to contractual obligation for which liability is not shown | \$ -                                                              | \$ -                                                            | \$ -                            | \$ -                                      | \$ -                                               | -                                                                   | -                                       |
| b. Collateral held under security lending agreements                  | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| c. Subject to repurchase agreements                                   | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| d. Subject to reverse repurchase agreements                           | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| e. Subject to dollar repurchase agreements                            | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| f. Subject to dollar reverse repurchase agreements                    | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| g. Placed under option contracts                                      | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| h. Letter stock or securities restricted as to sale                   | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| i. FHLB capital stock                                                 | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| j. On deposit with states                                             | 7,398,711                                                         | 7,388,289                                                       | 10,422                          | -                                         | 7,398,711                                          | 1.9%                                                                | 2.0%                                    |
| k. On deposit with other regulatory bodies                            | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| l. Pledged collateral to FHLB (including assets backing               | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| m. Pledged as collateral not captured in other                        | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| n. Other restricted assets                                            | -                                                                 | -                                                               | -                               | -                                         | -                                                  | -                                                                   | -                                       |
| <b>o. Total Restricted Assets</b>                                     | <b>\$ 7,398,711</b>                                               | <b>\$ 7,388,289</b>                                             | <b>\$ 10,422</b>                | <b>\$ -</b>                               | <b>\$ 7,398,711</b>                                | <b>1.9%</b>                                                         | <b>2.0%</b>                             |

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 3, Line 28

- (2) Detail of Assets Pledged as Collateral Not Captured in Other Categories (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, Are Reported in the Aggregate) – not applicable
- (3) Detail of Other Restricted Assets (Contracts that Share Similar Characteristics, Such as Reinsurance and Derivatives, are Reported in the Aggregate) – not applicable
- (4) Collateral Received and Reflected as Assets Within the Reporting Entity’s Financial Statements – not applicable
- I. Working Capital Finance Investments – none
- J. Offsetting and Netting of Assets and Liabilities – none
- K. Structured Notes – none
- L. 5\* Securities - none
- 6. Joint Ventures, Partnerships and Limited Liability Companies
  - A. Investments in Joint Ventures, Partnerships and Limited Liability Companies – not applicable.
  - B. Impaired Investments in Joint Ventures, Partnerships and Limited Liability Companies – not applicable.
- 7. Investment Income
  - A. Any investment income due and accrued with amounts that are over 90 days past due are nonadmitted and excluded from surplus.
  - B. As of December 31, 2016 and 2015, the Company had no investment income due and accrued with admitted amounts that are over 90 days past due.
- 8. Derivative Instruments
  - A. Market Risk, Credit Risk, and Cash Requirements for Derivatives – not applicable.
  - B. Objectives for the Use of Derivatives – not applicable.
  - C. Description of Accounting Policies for Derivatives – not applicable.
  - D & E. Net Gain or Loss from Derivatives – not applicable.
  - F. Cash Flow Hedges – not applicable.

## 9. Income Taxes

A. The components of the net deferred tax asset/(liability) at December 31 are as follows:

## 1. Components of net admitted deferred tax assets.

|                                        | December 31, 2016   |             |                     |
|----------------------------------------|---------------------|-------------|---------------------|
|                                        | Ordinary            | Capital     | Total               |
| (a) Gross deferred tax assets          | \$ 6,110,933        | \$ 115,918  | \$ 6,226,851        |
| (b) Statutory valuation allowance      | -                   | -           | -                   |
| (c) Adjusted gross deferred tax assets | 6,110,933           | 115,918     | 6,226,851           |
| (d) Deferred tax asset non-admitted    | -                   | 115,918     | 115,918             |
| (e) Net deferred tax assets            | 6,110,933           | -           | 6,110,933           |
| (f) Deferred tax liability             | 3,918,156           | -           | 3,918,156           |
| (g) Net admitted deferred tax assets   | <u>\$ 2,192,777</u> | <u>\$ -</u> | <u>\$ 2,192,777</u> |

|                                        | December 31, 2015   |             |                     |
|----------------------------------------|---------------------|-------------|---------------------|
|                                        | Ordinary            | Capital     | Total               |
| (a) Gross deferred tax assets          | \$ 7,536,865        | \$ 122,063  | \$ 7,658,928        |
| (b) Statutory valuation allowance      | -                   | -           | -                   |
| (c) Adjusted gross deferred tax assets | 7,536,865           | 122,063     | 7,658,928           |
| (d) Deferred tax asset non-admitted    | -                   | 122,063     | 122,063             |
| (e) Net deferred tax assets            | 7,536,865           | -           | 7,536,865           |
| (f) Deferred tax liability             | 4,324,500           | -           | 4,324,500           |
| (g) Net admitted deferred tax assets   | <u>\$ 3,212,365</u> | <u>\$ -</u> | <u>\$ 3,212,365</u> |

|                                        | Change                |             |                       |
|----------------------------------------|-----------------------|-------------|-----------------------|
|                                        | Ordinary              | Capital     | Total                 |
| (a) Gross deferred tax assets          | \$ (1,425,932)        | \$ (6,145)  | \$ (1,432,077)        |
| (b) Statutory valuation allowance      | -                     | -           | -                     |
| (c) Adjusted gross deferred tax assets | (1,425,932)           | (6,145)     | (1,432,077)           |
| (d) Deferred tax asset non-admitted    | -                     | (6,145)     | (6,145)               |
| (e) Net deferred tax assets            | (1,425,932)           | -           | (1,425,932)           |
| (f) Deferred tax liability             | (406,344)             | -           | (406,344)             |
| (g) Net admitted deferred tax assets   | <u>\$ (1,019,588)</u> | <u>\$ -</u> | <u>\$ (1,019,588)</u> |

## 2. Admission Calculation Components per SSAP 101 (§11.a.-§11.c)

|                                                                                                                                         | December 31, 2016     |             |                       |
|-----------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|-----------------------|
|                                                                                                                                         | Ordinary              | Capital     | Total                 |
| (a) Federal income taxes paid in prior years recoverable through loss carrybacks                                                        | \$ 6,110,933          | \$ -        | \$ 6,110,933          |
| Admitted gross DTAs expected to be realized                                                                                             |                       |             |                       |
| (b) (excluding the amount of DTAs from 2(a) above) after application of the threshold limitations (The lesser of 2(b)1 and 2(b)2 below) | -                     | -           | -                     |
| 1. Adjusted gross DTAs expected to be realized following the balance sheet date                                                         |                       |             | -                     |
| 2. Adjusted gross DTAs allowed per limitation threshold                                                                                 | XXX                   | XXX         | 26,108,123            |
| Adjusted Gross DTAs (excluding the amount of                                                                                            |                       |             |                       |
| (c) DTAs from 2(a) and 2(b) above) offset by gross DTLs                                                                                 |                       | -           | -                     |
| (d) DTAs admitted as a result of application of SSAP No. 101                                                                            |                       |             |                       |
| Total 2(a) + 2(b) + 2(c)                                                                                                                | <u>\$ 6,110,933</u>   | <u>\$ -</u> | <u>\$ 6,110,933</u>   |
|                                                                                                                                         |                       |             |                       |
|                                                                                                                                         | December 31, 2015     |             |                       |
|                                                                                                                                         | Ordinary              | Capital     | Total                 |
| (a) Federal income taxes paid in prior years recoverable through loss carrybacks                                                        | \$ 7,536,865          | \$ -        | \$ 7,536,865          |
| Admitted gross DTAs expected to be realized                                                                                             |                       |             |                       |
| (b) (excluding the amount of DTAs from 2(a) above) after application of the threshold limitations (The lesser of 2(b)1 and 2(b)2 below) |                       | -           | -                     |
| 1. Adjusted gross DTAs expected to be realized following the balance sheet date                                                         |                       |             | -                     |
| 2. Adjusted gross DTAs allowed per limitation threshold                                                                                 | XXX                   | XXX         | 23,412,681            |
| Adjusted Gross DTAs (excluding the amount of                                                                                            |                       |             |                       |
| (c) DTAs from 2(a) and 2(b) above) offset by gross DTLs                                                                                 |                       | -           | -                     |
| (d) DTAs admitted as a result of application of SSAP No. 101                                                                            |                       |             |                       |
| Total 2(a) + 2(b) + 2(c)                                                                                                                | <u>\$ 7,536,865</u>   | <u>\$ -</u> | <u>\$ 7,536,865</u>   |
|                                                                                                                                         |                       |             |                       |
|                                                                                                                                         | Change                |             |                       |
|                                                                                                                                         | Ordinary              | Capital     | Total                 |
| (a) Federal income taxes paid in prior years recoverable through loss carrybacks                                                        | \$ (1,425,932)        | \$ -        | \$ (1,425,932)        |
| Admitted gross DTAs expected to be realized                                                                                             |                       |             |                       |
| (b) (excluding the amount of DTAs from 2(a) above) after application of the threshold limitations (The lesser of 2(b)1 and 2(b)2 below) | -                     | -           | -                     |
| 1. Adjusted gross DTAs expected to be realized following the balance sheet date                                                         | -                     | -           | -                     |
| 2. Adjusted gross DTAs allowed per limitation threshold                                                                                 | XXX                   | XXX         | 2,695,442             |
| Adjusted Gross DTAs (excluding the amount of                                                                                            |                       |             |                       |
| (c) DTAs from 2(a) and 2(b) above) offset by gross DTLs                                                                                 | -                     | -           | -                     |
| (d) DTAs admitted as a result of application of SSAP No. 101                                                                            |                       |             |                       |
| Total 2(a) + 2(b) + 2(c)                                                                                                                | <u>\$ (1,425,932)</u> | <u>\$ -</u> | <u>\$ (1,425,932)</u> |

3. Information for Recovery Period and Threshold Limitation (¶11.b)

|                                                                                                                      | <u>2016</u>    | <u>2015</u>   |
|----------------------------------------------------------------------------------------------------------------------|----------------|---------------|
| Ratio percentage used to determine recovery period and threshold limitation amount                                   | 320%           | 302%          |
| Amount of Adjusted Capital and Surplus used to determine recovery period and threshold limitation in paragraph 11.b. | \$ 174,054,153 | \$ 57,107,053 |

4. Impact of Tax-Planning Strategies – not applicable

B. Temporary differences for which a DTL has not been established:

All deferred tax liabilities have been properly recognized.

C. Significant components of income taxes incurred

1. Current income taxes incurred consist of the following major components:

|                                                | <u>December 31,</u>  |                      |                       |
|------------------------------------------------|----------------------|----------------------|-----------------------|
|                                                | <u>2016</u>          | <u>2015</u>          | <u>Change</u>         |
| (a) Federal                                    | \$ 21,759,661        | \$ 24,180,011        | \$ (2,420,350)        |
| (b) Foreign                                    | -                    | -                    | -                     |
| (c) Subtotal                                   | 21,759,661           | 24,180,011           | (2,420,350)           |
| (d) Federal income tax on net capital gains    | 302,908              | 157,781              | 145,127               |
| (e) Utilization of capital loss carry-forwards | -                    | -                    | -                     |
| (f) Other                                      | -                    | -                    | -                     |
| (g) Federal and foreign income taxes incurred  | <u>\$ 22,062,569</u> | <u>\$ 24,337,792</u> | <u>\$ (2,275,223)</u> |

## 2. Deferred Tax Assets Resulting From Book/Tax Differences

|                                              | December 31,        |                     |                       |
|----------------------------------------------|---------------------|---------------------|-----------------------|
|                                              | 2016                | 2015                | Change                |
| (a) Ordinary                                 |                     |                     |                       |
| (1) Discounting of unpaid losses             | \$ 430,515          | \$ 454,249          | \$ (23,734)           |
| (2) Unearned premium reserve                 | 11,256              | 18,885              | (7,629)               |
| (3) Policyholder reserves                    | -                   | -                   | -                     |
| (4) Investments                              | 1,123               | -                   | 1,123                 |
| (5) Deferred acquisition costs               | -                   | -                   | -                     |
| (6) Policyholder dividends accrual           | -                   | -                   | -                     |
| (7) Fixed assets                             | -                   | -                   | -                     |
| (8) Compensation and benefits accrual        | -                   | -                   | -                     |
| (9) Pension accrual                          | -                   | -                   | -                     |
| (10) Receivables - nonadmitted               | 5,668,039           | 6,983,398           | (1,315,359)           |
| (11) Net operating loss carry forward        | -                   | -                   | -                     |
| (12) Tax credit carry forward                | -                   | -                   | -                     |
| (13) Other                                   | -                   | -                   | -                     |
| (14) Deferred gain related to intangibles    | -                   | -                   | -                     |
| (15) Allowance for doubtful accounts         | -                   | 80,333              | (80,333)              |
| (16) Premium deficiency reserve              | -                   | -                   | -                     |
| (99) Subtotal                                | <u>\$ 6,110,933</u> | <u>\$ 7,536,865</u> | <u>\$ (1,425,932)</u> |
| (b) Statutory valuation allowance adjustment | -                   | -                   | -                     |
| (c) Nonadmitted                              | -                   | -                   | -                     |
| (d) Admitted ordinary DTAs (2a99 - 2b - 2c)  | <u>\$ 6,110,933</u> | <u>\$ 7,536,865</u> | <u>\$ (1,425,932)</u> |
| (e) Capital                                  |                     |                     |                       |
| (1) Investments                              | 115,918             | 122,063             | (6,145)               |
| (2) Net capital loss carry-forward           | -                   | -                   | -                     |
| (3) Real estate                              | -                   | -                   | -                     |
| (4) Other                                    | -                   | -                   | -                     |
| (99) Subtotal                                | <u>\$ 115,918</u>   | <u>\$ 122,063</u>   | <u>\$ (6,145)</u>     |
| (f) Statutory valuation allowance adjustment | -                   | -                   | -                     |
| (g) Nonadmitted                              | 115,918             | 122,063             | (6,145)               |
| (h) Admitted capital DTAs (2a99 - 2f - 2g)   | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>           |
| (i) Admitted DTAs (2d + 2h)                  | <u>\$ 6,110,933</u> | <u>\$ 7,536,865</u> | <u>\$ (1,425,932)</u> |

## 3. Deferred Tax Liabilities Resulting From Book/Tax Differences

|                                            | December 31,        |                     |                     |
|--------------------------------------------|---------------------|---------------------|---------------------|
|                                            | 2016                | 2015                | Change              |
| (a) Ordinary                               |                     |                     |                     |
| (1) Investments                            | \$ 230,578          | \$ 150,648          | \$ 79,930           |
| (2) Fixed assets                           | -                   | -                   | -                   |
| (3) Deferred and uncollected premium       | -                   | -                   | -                   |
| (4) Policyholder reserves                  | -                   | -                   | -                   |
| (5) Other                                  | -                   | -                   | -                   |
| (6) Deferred intercompany gain             | 3,687,578           | 4,173,852           | (486,274)           |
| (7) Pharmacy rebates                       | -                   | -                   | -                   |
| (8) Other ins & contract holder liability  | -                   | -                   | -                   |
| (9) Section 481 adjustment                 | -                   | -                   | -                   |
| (99) Subtotal                              | <u>\$ 3,918,156</u> | <u>\$ 4,324,500</u> | <u>\$ (406,344)</u> |
| (b) Capital:                               |                     |                     |                     |
| (1) Investments                            | -                   | -                   | -                   |
| (2) Real estate                            | -                   | -                   | -                   |
| (3) Other                                  | -                   | -                   | -                   |
| (99) Subtotal                              | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| (c) Deferred tax liabilities (3a99 + 3b99) | <u>\$ 3,918,156</u> | <u>\$ 4,324,500</u> | <u>\$ (406,344)</u> |

## 4. Net Deferred Tax Assets/(Liabilities)

|                                                 |                     |                     |                       |
|-------------------------------------------------|---------------------|---------------------|-----------------------|
| Net deferred tax assets/(liabilities) (2i - 3c) | <u>\$ 2,192,777</u> | <u>\$ 3,212,365</u> | <u>\$ (1,019,588)</u> |
|-------------------------------------------------|---------------------|---------------------|-----------------------|

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of nonadmitted assets as the Change in Nonadmitted Assets is reported separately from the Change in Net Deferred Income Taxes in the surplus section of the Annual Statement):

|                                                            | December 31,        |                     |                       |
|------------------------------------------------------------|---------------------|---------------------|-----------------------|
|                                                            | 2016                | 2015                | Change                |
| Total gross deferred tax assets                            | \$ 6,226,851        | \$ 7,658,928        | \$ (1,432,077)        |
| Total deferred tax liabilities                             | 3,918,156           | 4,324,500           | (406,344)             |
| Net adjusted deferred tax asset                            | 2,308,695           | 3,334,428           | (1,025,733)           |
| Statutory valuation allowance                              | -                   | -                   | -                     |
| Net deferred tax asset after statutory valuation allowance | <u>\$ 2,308,695</u> | <u>\$ 3,334,428</u> | <u>\$ (1,025,733)</u> |
| Tax effect of unrealized gains and losses                  |                     |                     | 6,145                 |
| Change in deferred income tax                              |                     |                     | <u>\$ (1,019,588)</u> |

## D. Reconciliation of total statutory income taxes reported to tax at statutory rate

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes including realized capital gains/losses. The significant items causing this difference are as follows:

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|                                                                               | <u>December 31,<br/>2016</u> | <u>Effective<br/>Tax Rate</u> |
|-------------------------------------------------------------------------------|------------------------------|-------------------------------|
| Current income taxes incurred                                                 | \$ 22,062,569                | 60.9%                         |
| Change in deferred income tax<br>(without tax on unrealized gains and losses) | <u>1,019,588</u>             | <u>2.8%</u>                   |
| Total income tax reported                                                     | <u>\$ 23,082,157</u>         | <u>63.7%</u>                  |
| Income before taxes                                                           | 36,231,958                   |                               |
|                                                                               | 35%                          |                               |
| Expected tax expense at 35% statutory rate                                    | \$ 12,681,185                | 35.0%                         |
| Increase (decrease) in actual tax reported resulting from:                    |                              |                               |
| Tax-exempt income                                                             | (12,748)                     | 0.0%                          |
| Change in nonadmitted assets                                                  | 1,315,359                    | 3.6%                          |
| Health insurance industry fee                                                 | 9,016,318                    | 24.9%                         |
| Other                                                                         | <u>82,043</u>                | <u>0.2%</u>                   |
| Total income tax reported                                                     | <u>\$ 23,082,157</u>         | <u>63.7%</u>                  |

E. Carryforwards, recoverable taxes, and IRC Sec. 6603 deposits:

- (1) At December 31, 2016, the Company has utilized all of its net operating or capital loss carry forwards.
- (2) Income taxes, ordinary and capital, available for recoupment in the event of future losses include:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2016        | \$ 22,064,193 |
| 2015        | \$ 24,335,823 |

- (3) Deposits under IRS Code Section 6603 – not applicable

F. Federal or Foreign Income Tax Loss Contingencies

- (1) CIGNA's federal income tax returns are routinely audited by the Internal Revenue Service (IRS). In management's opinion, adequate tax liabilities, including related charges should the IRS prevail, have been established to address potential exposures involving tax position the Company has taken that may be challenged by the IRS. These liabilities could be revised in the near term if estimates of CIGNA's ultimate liability change as a result of new developments or a change in circumstances.
- (2) The IRS has completed its examination of CIGNA's 2011 and 2012 consolidated federal income tax returns. The review, which was completed in the fourth quarter of 2016, had no material impact on the Company's financial condition.

G. Consolidated Federal Income Tax Return

The Company's Federal Income Tax return is consolidated with Cigna and the following subsidiaries of Cigna:

Allegiance Benefit Plan Management, Inc.  
 Allegiance Cobra Services, Inc.  
 Allegiance Life & Health Insurance Company, Inc.  
 Allegiance Re, Inc.  
 Arizona Healthplan, Inc.  
 Benefit Management Corporation  
 Bravo Health Mid-Atlantic, Inc.  
 Bravo Health Pennsylvania, Inc.  
 CareAllies, Inc.  
 CG Individual Tax Benefit Payments, Inc.

CG Life Pension Benefit Payments, Inc.  
CG LINA Pension Benefit Payments, Inc.  
Choicelinx Corporation  
Cigna Arbor Life Insurance Company  
Cigna Behavioral Health, Inc.  
Cigna Behavioral Health of California, Inc.  
Cigna Behavioral Health of Texas, Inc.  
Cigna Benefits Financing, Inc.  
Cigna Dental Health, Inc.  
Cigna Dental Health of California, Inc.  
Cigna Dental Health of Colorado, Inc.  
Cigna Dental Health of Delaware, Inc.  
Cigna Dental Health of Florida, Inc.  
Cigna Dental Health of Illinois, Inc.  
Cigna Dental Health of Kansas, Inc.  
Cigna Dental Health of Kentucky, Inc.  
Cigna Dental Health of Maryland, Inc.  
Cigna Dental Health of Missouri, Inc.  
Cigna Dental Health of New Jersey, Inc.  
Cigna Dental Health of North Carolina, Inc.  
Cigna Dental Health of Ohio, Inc.  
Cigna Dental Health of Pennsylvania, Inc.  
Cigna Dental Health of Texas, Inc.  
Cigna Dental Health of Virginia, Inc.  
Cigna Dental Healthplan of Arizona, Inc.  
Cigna Direct Marketing Company, Inc.  
Cigna Federal Benefits, Inc.  
Cigna Global Holdings, Inc.  
Cigna Global Insurance Company Limited  
Cigna Global Reinsurance Company LTD  
Cigna Health and Life Insurance Company  
Cigna Health Corporation  
Cigna Health Management, Inc.  
Cigna Healthcare Benefits, Inc.  
Cigna Healthcare Holdings, Inc.  
Cigna Healthcare, Inc.  
Cigna Healthcare Mid-Atlantic, Inc.  
Cigna Healthcare of Arizona, Inc.  
Cigna Healthcare of California, Inc.  
Cigna Healthcare of Colorado, Inc.  
Cigna Healthcare of Connecticut, Inc.  
Cigna Healthcare of Florida, Inc.  
Cigna Healthcare of Georgia, Inc.  
Cigna Healthcare of Illinois, Inc.  
Cigna Healthcare of Indiana, Inc.  
Cigna Healthcare of Maine, Inc.  
Cigna Healthcare of Massachusetts, Inc.  
Cigna Healthcare of New Hampshire, Inc.  
Cigna Healthcare of New Jersey, Inc.  
Cigna Healthcare of New York, Inc.  
Cigna Healthcare of North Carolina, Inc.  
Cigna Healthcare of Pennsylvania, Inc.  
Cigna Healthcare of South Carolina, Inc.  
Cigna Healthcare of St Louis, Inc.  
Cigna Healthcare of Tennessee, Inc.  
Cigna Healthcare of Texas, Inc.  
Cigna Healthcare of Utah, Inc.  
Cigna Holdings, Inc.  
Cigna Holdings Overseas, Inc.  
Cigna Integrated Care, Inc.  
Cigna Intellectual Property, Inc.  
Cigna International Corporation  
Cigna International Finance, Inc.  
Cigna International Services, Inc.  
Cigna Investment Group, Inc.  
Cigna Investments, Inc.  
Cigna Life Insurance Company of New York  
Cigna Linden Holdings, Inc.

Cigna Managed Care Benefits Company  
Cigna Mezzanine Partners, III, Inc.  
Cigna Poplar Holdings, Inc.  
Cigna RE Corporation  
Cigna Resource Manager, Inc.  
Cigna Worldwide Insurance Company  
Connecticut General Benefit Payments, Inc.  
Connecticut General Corporation  
Connecticut General Life Insurance Company  
Former Cigna Investments, Inc.  
GreatWest Healthcare of Illinois, Inc.  
Hazard Center Investment Co., LLC  
Healthsource Benefits, Inc.  
Healthsource, Inc.  
Healthsource Properties, Inc.  
HealthSpring Life & Health Insurance Company, Inc.  
HealthSpring Management, Inc.  
HealthSpring of Alabama, Inc.  
HealthSpring of Florida, Inc.  
HealthSpring, Inc.  
IHN, Inc.  
Intermountain Underwriters, Inc.  
Kronos Optimal Health Company  
Life Ins Co of North America  
LINA Benefit Payments, Inc.  
Managed Care Consultants, Inc.  
MCC Independent Practice Assoc of New York, Inc.  
Mediversal Inc.  
QualCare Alliance Networks, Inc.  
QualCare Captive Insurance Company, Inc.  
QualCare, Inc.  
Scibal Associates, Inc.  
Sagamore Health Network Inc.  
Tel-Drug, Inc.  
Universal Claims Administration

10. Information Concerning Parent, Subsidiaries and Affiliates

A. B. and C.

The Company did not pay any dividends in 2016 and 2015. The Company received no capital contributions from NewQuest, LLC (the Parent) in 2016. Capital contributions of \$20,000,000 in bonds and \$5,000,000 in cash, respectively, were received from its Parent in 2015.

The Company has entered into a line of credit agreement with Cigna under which the Company may lend up to \$30,000,000. Cigna did not borrow from this line of credit during 2016 or 2015. As of December 31, 2016 and 2015, there was no outstanding receivable balance from Cigna.

The Company has entered into a line of credit agreement with Cigna Holdings, Inc. under which the Company may borrow up to \$30,000,000. As of December 31, 2016 and 2015, there was no outstanding payable balance to Cigna Holdings, Inc. In 2016 and 2015, the interest rate on loan amounts was an average yearly rate of 0.6902% and 0.3478%, respectively, and interest expense was \$1,995 and \$238, respectively.

D. At December 31, 2016 and 2015, the Company reported \$18,963,773 and \$18,961,552 net due to parent, subsidiaries and affiliates, respectively. These amounts are settled periodically, usually monthly.

E. Guarantees Resulting in a Material Contingent Exposure – not applicable.

F. Management Services Agreement

Fee Sharing Agreement (the Agreement) - Several of Cigna's subsidiaries are subject to the Health Insurance Providers Fee, "the Fee", which is imposed on each covered entity engaged in the business of providing health insurance for any United States health risk. Such entities, along with Cigna, are collectively treated as a single "covered entity" as that term is defined

in Section 9010(c) and Treas. Reg. § 57.2(b). By entering into this Agreement, each Party has consented to select Cigna as its “designated entity” for the payment of this Fee. The Agreement allows Cigna to pay each year to the Treasury the Fee owed collectively by all covered entities in the group, and to perform all necessary and appropriate actions that may be required to fulfill Cigna's responsibilities as the designated entity. This Agreement further allows Cigna to delegate to a wholly owned subsidiary the authority to perform these actions on Cigna's behalf. For financial management and reporting purposes, Cigna and the Parties will allocate the Fee for each Fee Year among the Parties in proportion to estimates of each Party's Premiums for that Fee Year. This Agreement was submitted for Department approval/non-disapproval, and is effective for the Company on September 29, 2014.

The Company has contracted for managerial, administrative, and financial support services through administrative service contracts based on a percentage of premium revenue with HealthSpring Management, Inc., HealthSpring USA, LLC, and NewQuest Management of Illinois, LLC. For the years ending December 31, 2016 and 2015, the Company paid approximately \$237,394,081 and \$225,998,563, respectively, in exchange for these services.

The Company has contracted with Cigna Investment, Inc. (CII) for investment advisory services. The Company and CII are indirect subsidiaries of Cigna Holdings, Inc., which is a direct wholly-owned subsidiary of Cigna. The Company paid \$338,928 and \$263,722 in 2016 and 2015, respectively, for these services.

Cigna's indirectly wholly-owned domestic subsidiary insurance companies have entered into a Consolidated Federal Income Tax Agreement (Tax Agreement), which became effective as of April 1, 1982. The Agreement sets forth the method of allocation of federal income taxes for Cigna and its wholly-owned domestic subsidiaries, including insurance subsidiaries. The Agreement provides for immediate reimbursement to companies with net operating losses to the extent that their losses are used to reduce consolidated taxable income; while those companies with current taxable income as calculated under federal separate return provisions, are liable for payment determined as if they had each filed a separate return. However, current credit is given for any foreign tax credit, operating loss or investment tax credit carryovers actually used in the current consolidated return. The Company participates as a party to the agreement and as of December 31, 2016 and 2015, the Company had \$6,055,037 and \$48,555 recoverable under the agreement, respectively.

The Company, CII and certain of its affiliates are parties to an investment pool agreement which provides for participation in a pool of short-term investments to facilitate effective cash management. There are no fees separately assessed related to this agreement.

#### G. Ownership

All outstanding shares of the Company are owned by HealthSpring Management, Inc., a Tennessee corporation, which is a wholly owned subsidiary of HealthSpring, Inc., a Delaware corporation, which is an indirect wholly-owned subsidiary of Cigna. The Cigna organizational structure is documented in Schedule Y.

H. Upstream Intermediate Entity – not applicable.

I. Investment in SCA Entity that Exceeds 10% of Admitted Assets – not applicable.

J. Investments in Impaired SCA's – not applicable.

K. Investments in Foreign Insurance Subsidiaries – not applicable.

L. Investment in a Downstream Non-Insurance Holding Company – not applicable.

M. Investment in SCA – not applicable.

N. Investment in Insurance – not applicable.

#### 11. Debt

##### A. Debt and Capital Notes

The Company had no capital notes outstanding at December 31, 2016 and 2015.

The Company had no external borrowed money outstanding at December 31, 2016 and 2015.

The Company has entered into a line of credit agreement with Cigna Holdings, Inc. under which the Company may borrow up to \$30,000,000. As of December 31, 2016 and 2015, there was no outstanding payable balance to Cigna Holdings, Inc. In 2016 and 2015, the interest rate on loan amounts was an average yearly rate of 0.6902% and 0.3478% and interest expense was \$1,995 and \$238, respectively.

- B. FHLB Agreements – not applicable.
12. Retirement Plans, Deferred Compensation, Post-Employment Benefits and Compensated Absences and Other Postretirement Benefit Plans
- A. Defined Benefit Plan – not applicable.
- B. Investment Policies and Strategies for Plan Assets – not applicable.
- C. Fair Value Measurement of Plan Assets – not applicable.
- D. Rate of Return on Plan Assets – not applicable.
- E. Defined Contribution Plan – not applicable.
- F. Multi-Employer Plan – not applicable.
- G. Consolidated/Holding Company Plans – not applicable.
- H. Postemployment Benefits and Compensated Absences – not applicable.
- I. Impact of Medicare Modernization Act on Postretirement Benefits – not applicable.
13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations
1. The Company has 2,000 shares authorized, 10 shares issued and outstanding of \$5 par value Common Stock, owned entirely by HealthSpring Management, Inc.
2. The Company has no preferred stock outstanding.
3. The payment of dividends by the Company to the shareholder is limited and can only be made from earned profits unless prior approval is received from the Department. The maximum amount of dividends that may be paid by insurance companies without prior approval is also subject to restrictions relating to statutory surplus and net income. The maximum ordinary dividend distribution allowed by the Company in 2017 is \$17,624,693. The Company's dividends are noncumulative.
4. The Company did not pay any dividends in 2016 and 2015 to its Parent.
5. Within the limits of (3) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
6. Restrictions on Unassigned Surplus – none.
7. For Mutual Companies, Advances to Surplus Not Repaid – not applicable.
8. Stock Held by the Company, Including Stock of Affiliated Companies – not applicable.
9. Special Surplus Funds – In December 2015, the federal appropriations legislation imposed a one-year moratorium on ACA Section 9010 insurer fee for 2017, with reinstatement expected in 2018. The Company had a change in the balance of the special surplus funds of \$27,197,386 from the prior year due to the ACA insurer fee segregated surplus requirement.
10. Cumulative Unrealized Gains and Losses in Surplus –
- Unassigned surplus at December 31, 2016 and 2015 was reduced by cumulative net unrealized investment gains of \$11,412 and losses of \$226,689, respectively.

11. Surplus Note – The Company issued the following surplus note:

| Date Issued | Interest Rate | Par Value (Face Amount of Notes) | Carrying Value of Note | Interest And/Or Principal Paid Current Year | Total Interest And/Or Principal Paid | Unapproved Interest And/Or Principal | Date of Maturity |
|-------------|---------------|----------------------------------|------------------------|---------------------------------------------|--------------------------------------|--------------------------------------|------------------|
| 2/21/1995   | Prime + 1%    | \$900,000                        | \$900,000              | \$0                                         | \$0                                  | \$0                                  | n/a              |

The Company has a \$900,000 surplus note payable (Note) to its Parent, which is non-interest bearing and has no stated maturity date. No payment of principal may be made on the Note unless and until the Company has sufficient realized capital and surplus to make such payments. Payment of principal on the Note is subject to prior written approval of the Insurance Commissioner of the State of Tennessee, and is subordinate to all other liabilities of the Company. The surplus note is non-callable by its Parent. The Company did not accrue or pay any interest during 2016 and 2015 as regulatory approval was not sought or obtained.

12. Quasi-Reorganization – not applicable.

13. Date of a Quasi –Reorganization – not applicable.

14. Liabilities, Contingencies and Assessments

A. Contingent Commitments – none.

B. Assessments – none.

C. Gain Contingencies – none.

D. Claims-Related Extra Contractual Obligations – none.

E. Joint and Several Liabilities – none.

F. All Other Liabilities:

Litigation and Other Legal Matters:

Cigna and its subsidiaries (including the Company; and collectively known as Cigna) are routinely involved in numerous claims, lawsuits, regulatory audits, investigations and other legal matters arising, for the most part, in the ordinary course of managing a global health services business. These actions may include benefit disputes, breach of contract claims, tort claims, provider disputes, disputes regarding reinsurance arrangements, employment and employment discrimination-related suits, employee benefit claims, wage and hour claims, privacy, intellectual property claims and real estate related disputes. There are currently, and may be in the future, attempts to bring class action lawsuits against the industry. Cigna and its subsidiaries (including the Company) also are regularly engaged in IRS audits and may be subject to examinations by various state and foreign taxing authorities. Disputed income tax matters arising from these examinations, including those resulting in litigation, are accounted for under the NAIC’s accounting guidance for tax loss contingencies. Further information on income tax matters can be found in Note 9.

When the Company (in the course of its regular review of pending litigation and legal or regulatory matters) has determined that a material loss is reasonably possible, the matter is disclosed. In accordance with statutory accounting principles, when litigation and regulatory matters present loss contingencies that are both probable and estimable, the Company accrues the estimated loss by a charge to income. The amount accrued represents the Company’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 the Company’s judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, the Company accrues the minimum amount of the range.

In cases when the Company has accrued an estimated loss, the accrued amount may differ materially from the ultimate amount of the loss. In many proceedings, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount or range of any loss. The Company provides disclosure in the aggregate for material pending litigation

and legal or regulatory matters, including accruals, range of loss, or a statement that such information cannot be estimated. As a litigation or regulatory matter develops, the Company monitors the matter for further developments that could affect the amount previously accrued, if any, and updates such amount accrued or disclosures previously provided as appropriate.

The outcome of litigation and other legal or regulatory matters is always uncertain and unfavorable outcomes that are not justified by the evidence or existing law can occur. Cigna and its subsidiaries (including the Company) believe that it has valid defenses to the matters pending against it and is defending itself vigorously. Except as otherwise noted, Cigna and its subsidiaries (including the Company) believes that the legal actions, regulatory matters, proceedings and investigations currently pending against them should not have a material adverse effect on Cigna and its subsidiaries' (including the Company's) results of operation, financial condition or liquidity based upon current knowledge and taking into consideration current accruals. Due to numerous uncertain factors presented in these cases, it is not possible to estimate an aggregate range of loss (if any) for these matters at this time. In light of the uncertainties involved in these matters, there is no assurance that their ultimate resolution will not exceed the amounts currently accrued by Cigna and its subsidiaries (including the Company). An adverse outcome in one or more of these matters could be material to Cigna and its subsidiaries' (including the Company's) results of operations, financial condition or liquidity for any particular period.

The business of administering and insuring health services programs, particularly health care and group insurance programs, is heavily regulated by federal and state laws and administrative agencies, such as state departments of insurance and the U.S. Departments of Health and Human Services, Treasury, Labor and Justice, as well as the courts. Health care regulation and legislation in its various forms, including the implementation of Health Care Reform, other regulatory reform initiatives, such as those relating to Medicare programs, or additional changes in existing laws or regulations or their interpretations, could have a material adverse effect on the Company's business, results of operations and financial condition.

In addition, there is heightened review by federal and state regulators of the health care, disability and life insurance industry business and related reporting practices. Cigna and its subsidiaries (including the Company) are frequently the subject of regulatory market conduct reviews and other examinations of its business and reporting practices, audits and investigations by state insurance and health and welfare departments, state attorneys general, CMS and the Office of Inspector General ("OIG"). With respect to Cigna's Medicare Advantage business, CMS and OIG perform audits to determine a health plan's compliance with federal regulations and contractual obligations, including compliance with proper coding practices (sometimes referred to as Risk Adjustment Data Validation Audits or "RADV audits"), that may result in retrospective adjustments to payments made to health plans. Regulatory actions can result in assessments, civil or criminal fines or penalties or other sanctions, including loss of licensing or exclusion from participating in government programs.

Regulation, legislation and judicial decisions have resulted in changes to industry and Cigna and its subsidiaries' (including the Company) business practices, financial liability or other sanctions and will continue to do so in the future.

***Antitrust Litigation.*** On July 21, 2016, the U.S. Department of Justice ("DOJ") and certain state attorneys general filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia (the "District Court") seeking to block the merger and, on January 4, 2017, the parties concluded the District Court trial. On February 8, 2017, the District Court issued an order enjoining the proposed merger. Anthem filed a notice of appeal of the District Court's order with the U.S. Court of Appeals for the District of Columbia Circuit (the "Appeals Court") and requested an expedited appeal. On February 17, 2017, the Appeals Court granted Anthem's motion for an expedited appeal and set oral arguments for March 24, 2017. That same day, Cigna filed its notice of appeal of the District Court's order with the Appeals Court.

***Litigation with Anthem.*** On February 14, 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 on February 14, 2017, Cigna filed suit against Anthem in the Delaware Court of Chancery (the "Chancery Court"). The complaint sought 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, which includes the lost premium value to Cigna's shareholders caused by Anthem's willful breaches of the merger agreement.

Also on February 14, 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 issued an order temporarily enjoining Cigna from terminating the Merger Agreement. This is not a decision on the merits of the case, but rather an order to ensure irrevocable actions do not take place before the Chancery Court's substantive review of the issues. Cigna will continue to abide by terms of the merger agreement until the expiration or lifting of the Chancery Court's order and any further review of the case by the Chancery Court. This order will be subject to review by the Chancery Court at a preliminary injunction hearing.

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.

**Shareholder Litigation.** Following announcement of Cigna's merger agreement with Anthem as discussed in Note 1, putative class action complaints (collectively the "complaints" or "Cigna Merger Litigation") were filed by purported Cigna shareholders on behalf of a purported class of Cigna shareholders. Additional lawsuits arising out of or relating to the merger agreement or the merger may be filed in the future.

Cigna, members of the Cigna board of directors, Anthem and Anthem Merger Sub Corp ("Merger Sub") have been named as defendants. The plaintiffs generally assert that the members of the Cigna board of directors breached their fiduciary duties to the Cigna shareholders during merger negotiations and by entering into the merger agreement and approving the merger, and that Cigna, Anthem and Merger Sub aided and abetted such breaches of fiduciary duties. The allegations include, among other things, that (1) the merger consideration undervalues Cigna, (2) the sales process leading up to the merger was flawed due to purported conflicts of interest of members of the Cigna board of directors and (3) certain provisions of the merger agreement inappropriately favor Anthem and inhibit competing bids. Plaintiffs seek, among other things, injunctive relief enjoining the merger, rescission of the merger agreement to the extent already implemented, and costs and damages.

Effective November 24, 2015, solely to avoid the costs, risks and uncertainties inherent in litigation, and without admitting any liability or wrongdoing, Cigna, Cigna's directors, Anthem and Merger Sub entered into a Memorandum of Understanding ("MOU") to settle the Cigna Merger Litigation. Subject to approval by the Connecticut Superior Court, Judicial District of Hartford and further definitive documentation in a settlement agreement that will be subject to customary conditions, the MOU resolved the Cigna Merger Litigation and provided that Cigna would make certain additional disclosures related to the merger. If the Court approves the settlement, the Cigna Merger Litigation will be dismissed with prejudice and all claims that were or could have been brought in any actions challenging any aspect of the merger, the merger agreement and any related disclosures will be released. In connection with the settlement, subject to the ultimate determination of the Court, plaintiffs' counsel may receive an award of reasonable fees. There can be no assurance that the parties will ultimately enter into a settlement agreement, or that the Court will approve the settlement even if the parties were to enter into such agreement. The MOU may terminate, if, among other reasons, the Court does not approve the settlement or the merger is not consummated for any reason.

**Risk Adjustment Data Validation Audits.** In connection with CMS's continuing statutory obligation to review risk score coding practices by Medicare Advantage plans, CMS is conducting audits of Medicare Advantage plans for compliance by the plans and their providers with proper coding practices (sometimes referred to as Risk Adjustment Data Validation Audits or RADV Audits). On November 5, 2013, the Company was notified one of its Medicare Advantage contracts (H4454) was selected for a Calendar Year (CY) 2011 Contract-Level Risk Adjustment Data Validation (RADV) audit.

In February 2012, CMS released a notice of final payment error calculation methodology for Medicare Advantage RADV audits. Among other matters, the notice provided that (i) CMS would perform its next round of Medicare Advantage contract-level audits on payment year 2011; (ii) payment year 2011 is the first year that CMS will conduct payment recovery based on extrapolated estimates; (iii) CMS expects to audit about 30 Medicare Advantage contracts each year; and (iv) payment recovery amounts will be subject to a fee-for-service adjuster that accounts for the fact that the documentation standard used in RADV audits to determine a

contract's payment error is different from the documentation standard used to develop the Part C risk-adjustment model.

The Company is currently assessing the payment error calculation methodology and awaiting further guidance from CMS regarding, among other matters, the application of a Fee For Service Adjuster to the audit recovery amounts. Because of the ongoing uncertainty, the Company remains unable to reasonably estimate the probability of CMS's assertion of a claim for recoupment of overpaid premiums or the amount of loss, or range of potential losses, associated with RADV Audits. Accordingly, the Company has not made an accrual related thereto.

The Company's Tennessee Medicare Advantage plan (H4454) was selected by CMS for a RADV Audit of the 2006 risk adjustment data used to determine 2007 premium rates. In late 2009, the Company's Tennessee plan received from CMS the RADV Audit member sample, which CMS used to calculate a payment error rate for 2007 Tennessee plan premiums.

In February 2010, the Company responded to the RADV Audit request by retrieving and submitting medical records supporting member sample diagnoses codes and risk scores and, where appropriate, provider attestations. In October 2013, CMS withheld \$98,686 from the plan payment for contract H4454 to recover the revenue represented by uncontested errors identified during the audit. An additional \$35,821 in potential recoveries is under appeal. The Company expects to succeed in reductions of some part of the \$35,821 under appeal but is unable to quantify the specific value. The appeal hearing occurred on October 20, 2016. At this time, the outcome of the hearing is pending.

**Health Care Regulation.** As a managed care organization, the Company's operations are and will continue to be subject to pervasive federal, state, and local government regulation, which will have a material impact on our operations. The laws and regulations affecting our industry give state and federal regulatory authorities broad discretion in their exercise of supervisory, regulatory, and administrative powers. These laws and regulations are intended primarily for the benefit of members of and providers to the Company. Health care regulation in its various forms could have an adverse effect on Company's health care operations if it inhibits the Company's ability to respond to market demands or results in increased medical or administrative costs without improving the quality of care or services.

**CMS actions.** In January 2016, CMS issued to Cigna and its subsidiaries (including the Company) a Notice of Imposition of Immediate Intermediate Sanctions ("the Notice"). The Notice required Cigna to suspend certain enrollment and marketing activities for its Medicare Advantage Prescription Drug and Medicare Part D Plans. The sanctions do not impact the right of current enrollees to remain covered by our Medicare Advantage Prescription Drug or Medicare Part D Plans. Cigna and its subsidiaries (including the Company) continue to devote significant resources to remediation efforts.

CMS imposed sanctions based on its finding of deficiencies with Cigna's operations of its Parts C and D appeals and grievances, Part D formulary and benefit administration, and compliance program. While these matters were not resolved in time to participate in the 2017 Medicare Advantage and Part D annual enrollment period, Cigna continues to work with CMS to address the audit findings and have the sanctions lifted as quickly as possible. Cigna expects to have the sanctions lifted in time to participate in the 2018 annual enrollment period. The impact of disenrollment is not material to 2016 consolidated revenues and earnings. In 2017, Medicare enrollment and consolidated revenues will be materially impacted due to our inability to participate in annual enrollment. However, management does not anticipate that 2017 Cigna consolidated shareholders' net income or the Company's net income will be materially affected because Cigna expects to offset the margin impact of the revenue loss with several factors including significantly lower costs to remediate the sanctions and other operational efficiencies.

On October 12, 2016, CMS announced Medicare Star Quality Ratings ("Star Ratings") for 2017. While Star Ratings are based on a number of plan performance measures that are evaluated each year, the projected Star Ratings for Cigna plans included certain reductions which are primarily attributable to the CMS audit discussed above. Under these revised Star Ratings, approximately 20% of Cigna's Medicare Advantage customers would be in a 4 Stars or greater plan. Cigna does not believe that these Star Ratings reflect the quality offerings Cigna HealthSpring provides to beneficiaries.

Cigna filed a Reconsideration request with CMS and will work fully with CMS through their process as well as consider additional alternatives to ensure that final Star Ratings more accurately reflect Cigna performance under the Star Ratings measures. Cigna remains

committed to their partnership with CMS and to delivering quality products and services to seniors, while working to mitigate the impact these Star Ratings could have on offerings in 2018. There is no financial impact in 2016 or 2017 because these ratings apply to plans for the 2018 payment year. However, if Cigna is unsuccessful in restoring at least some of the Star Ratings, the effect in 2018 could be material to shareholders' net income. The actual impact on earnings in 2018 could potentially be offset in part by Cigna and its subsidiaries' (including the Company's) ability to restore some or all of the downgraded 2018 Star Ratings, modify product offerings and implement operational efficiencies in the Government business.

Final Medicare Advantage reimbursement rates for 2017 were published by CMS in April 2016. Preliminary Medicare Advantage reimbursement rates for 2018 were published by CMS in February 2017. We do not expect the new rates to have a material impact on our consolidated results of operations in 2017 and 2018.

G. Uncollectible Amounts - none

15. Leases

A. Lessee Operating Leases – none

B. Lessor Leases – none

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

1. Financial Instruments with Off-Balance Sheet Risk – not applicable.

2. Nature and Terms of Financial Instruments with Off-Balance Sheet Risk – not applicable.

3. Amount of Loss – not applicable.

4. Policy for Requiring Collateral – not applicable.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfer of Receivables Reported as Sales – not applicable.

B. Transfer and Servicing of Financial Assets – not applicable.

C. Wash Sales – none.

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

A. ASO Plans – not applicable.

B. ASC Plans – not applicable.

C. Medicare or Similarly Structured Cost Based Reimbursement Contracts – not applicable.

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

Not applicable.

20. Fair Value Measurements

**A. Fair Value Measurements**

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.

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** – The following tables provide information about the Company's financial instruments carried at fair value as of December 31, 2016 and 2015.

| Financial Assets at Fair Value | Quoted Prices in                              |                                               |                                           | Total        |
|--------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------|--------------|
|                                | Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |              |
| <b>December 31, 2016</b>       |                                               |                                               |                                           |              |
| Bonds                          | \$ -                                          | \$ 3,886,842                                  | \$ 972,225                                | \$ 4,859,067 |
| <b>December 31, 2015</b>       |                                               |                                               |                                           |              |
| Bonds                          | \$ -                                          | \$ 2,334,228                                  | \$ -                                      | \$ 2,334,228 |

During the years ended December 31, 2016 and 2015 there were no significant transfers between Levels 1 and 2. Transfers between levels are assumed to occur at the beginning of the quarter in which they occur.

2. **Fair Value Measurements in Level 3 of the Fair Value Hierarchy** –The following tables summarize the changes in financial instruments classified in Level 3 for the year ended December 31, 2016. There were none in 2015. Gains and losses reported in these tables may include net changes in fair value that are attributable to both observable and unobservable inputs.

**For the Year Ended December 31, 2016**

| Level 3 Financial Assets | Beg Balance 1/1/16 | Transfers into Level 3 | Transfers out of Level 3 | Total gains (losses)       |                     | Purchases | Issuances | Sales | Settlements  | Ending Balance 12/31/16 |
|--------------------------|--------------------|------------------------|--------------------------|----------------------------|---------------------|-----------|-----------|-------|--------------|-------------------------|
|                          |                    |                        |                          | included in Net Income (1) | included in Surplus |           |           |       |              |                         |
| Bonds                    | \$ -               | \$ 1,015,346           | \$ -                     | \$ (30,978)                | \$ 115,130          | \$ -      | \$ -      | \$ -  | \$ (127,273) | \$ 972,225              |

(1) Bonds gains (losses) included in net income attributable to instruments held at reporting time were \$(30,978).

3. **Level 3 Transfers**

Transfers into and out of Level 3 are reported as of the beginning of the quarter in which they occur. Transfers into or out of Level 3 occur when there is a change in the measurement basis in the period for lower-rated bonds valued at the lower of cost or fair value. Transfers into or out of Level 3 may also occur when observable inputs, such as

the Company's best estimate of what a market participant would use to determine a current transaction price, become more or less significant to the fair value measurement.

#### 4. Valuation Techniques and Inputs

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. These valuation techniques involve some level of estimation and judgment that becomes significant with increasingly complex instruments or pricing models.

#### B. Other Fair Value Disclosures

The Company provides additional fair value information in Notes 1 and 5.

#### 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 December 31, 2016 and 2015.

| Financial Assets                                   | Aggregate Fair Value  | Admitted Assets       | Quoted Prices                                    |                                               |                                           | Not Practicable (Carrying Value) |
|----------------------------------------------------|-----------------------|-----------------------|--------------------------------------------------|-----------------------------------------------|-------------------------------------------|----------------------------------|
|                                                    |                       |                       | in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |                                  |
| <b>December 31, 2016</b>                           |                       |                       |                                                  |                                               |                                           |                                  |
| Bonds                                              | \$ 201,216,302        | \$ 198,911,293        | \$ -                                             | \$ 200,244,077                                | \$ 972,225                                | \$ -                             |
| Cash, Cash Equivalents, and Short-Term Investments | \$ 39,511,797         | \$ 39,511,797         | \$ (15,507,371)                                  | \$ 55,019,168                                 | \$ -                                      | \$ -                             |
| <b>Total</b>                                       | <b>\$ 240,728,099</b> | <b>\$ 238,423,090</b> | <b>\$ (15,507,371)</b>                           | <b>\$ 255,263,245</b>                         | <b>\$ 972,225</b>                         | <b>\$ -</b>                      |
| <b>December 31, 2015</b>                           |                       |                       |                                                  |                                               |                                           |                                  |
| Bonds                                              | \$ 199,769,218        | \$ 200,699,669        | \$ 331,485                                       | \$ 199,437,733                                | \$ -                                      | \$ -                             |
| Cash, Cash Equivalents, and Short-Term Investments | \$ 1,937,352          | \$ 1,937,352          | \$ 1,936,354                                     | \$ 998                                        | \$ -                                      | \$ -                             |
| <b>Total</b>                                       | <b>\$ 201,706,570</b> | <b>\$ 202,637,021</b> | <b>\$ 2,267,839</b>                              | <b>\$ 199,438,731</b>                         | <b>\$ -</b>                               | <b>\$ -</b>                      |

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

#### Bonds

The methods and significant assumptions used to estimate the fair value of bonds are described in A4 above.

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

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

#### D. Disclosures about Financial Instruments Not Practicable to Estimate Fair Value – None

#### 21. Other Items

##### A. Unusual or Infrequent Items – none.

B. Troubled Debt Restructuring: Debtors – none.

C. Other Disclosures - none

D. Business Interruption Insurance Recoveries – none.

E. State Transferable and Non-transferable Tax Credits – none.

F. Subprime-Mortgage-Related Risk Exposure

1. The Company did not hold mortgage loans in 2016 and 2015 and, therefore, is not subject to the related risk exposure pertaining to subprime mortgages.
2. Direct Exposure through Investments in Subprime Loans – not applicable.
3. Direct Exposure through Other Investments – not applicable.
4. Underwriting Exposure to Subprime Mortgage Risk – not applicable.

G. Retained Assets – none.

H. Insurance-Linked Securities (ILS) Contracts – none.

22. Events Subsequent

Type I – Recognized Subsequent Events:

The Company is not aware of any Type I events that occurred subsequent to the close of the books or accounts for this statement which would have a material effect on the financial condition of the Company. In preparing these financial statements, the Company evaluated events that occurred between the balance sheet date and February 27, 2017 for the statutory statement filed on February 27, 2017.

Type II – Nonrecognized Subsequent Events:

Subsequent events have been considered through February 27, 2017 for the statutory statement issued on February 27, 2017.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1- General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the Company or by any representative, officer, trustee or director of the Company?  
Yes ( ) No (X)
- (2) Have any policies issued by the Company been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or any other person not primarily engaged in the insurance business?  
Yes ( ) No (X)

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the Company have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?  
Yes ( ) No (X)
- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits

from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ( ) No (X)

Section 3 – Ceded Reinsurance Report – Part B

(1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of premium or other similar credits that are reflected above) of termination of all reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Company may consider the current or anticipated experience of the business reinsured in making this estimate. None.

(2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the Company as of the effective date of the agreement?

Yes ( ) No (X)

B. Uncollectible Reinsurance – none.

C. Commutation of Ceded Reinsurance – none.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation – none

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. Method Used to Estimate Accrued Retrospective Premium Adjustments – not applicable.

B. Where Accrued Retrospective Premium Adjustments are Recorded – not applicable.

C. Amount of Net Written Premiums Subject to Retrospective Rating Features – not applicable.

D. Medical loss ratio rebates required pursuant to the Public Health Service Act

On January 1, 2014, the Company became subject to the minimum loss ratio rebate provisions of the Affordable Care Act (ACA). ACA require payment of premium rebates to customers covered under the Company's comprehensive medical insurance if certain annual minimum medical loss ratios are not met. At the close of each quarter, the Company records its rebate accrual based on year-to-date estimated medical loss ratios calculated as prescribed by the interim final rule issued by the Department of Health & Human Services using year-to-date premium and claim information by state and market segment. Since this accrual reflects the amount of rebate that would be payable based on year-to-date estimated medical loss ratios, the amount of rebate will fluctuate as actual claim experience develops each calendar quarter.

As of December 31, 2016 and 2015, the Company did not accrue a rebate related to ACA.

As of December 31, 2016 and 2015, the Company accrued an estimated rebate of \$1,702,488 and \$4,098,466, respectively, related to its Medicaid contract in the state of Illinois which has different annual minimum medical loss ratios and medical loss ratio calculations. Since this accrual reflects the amount of rebate that would be payable based on year-to-date estimated medical ratios through June 30, 2018, the amount of the rebate will fluctuate as actual claim experience develops each calendar quarter.

E. Risk Sharing Provisions of the Affordable Care Act – the Company does not write business subject to the Risk Sharing Provisions of the Affordable Care Act.

25. Change in Incurred Claims and Claim Adjustment Expenses

The liability for claims unpaid as of December 31, 2015 was \$142,824,123. During 2016, \$123,624,098 has been paid on these liabilities. Reserves remaining for prior years are now \$5,453,803, as a result of re-estimation of unpaid claims and claim adjustment expenses. Therefore, there has been a favorable prior year development of \$13,746,222 since December 31, 2015. This release 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.

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

|                                     | Unpaid Claims       | Accrued Medical<br>Incentive Pool &<br>Bonus | Healthcare<br>Receivable | Total               |
|-------------------------------------|---------------------|----------------------------------------------|--------------------------|---------------------|
| 12/31/2015 Balance                  | \$ 142,824,123      | \$ 10,838,191                                | \$ 36,320,507            | \$ 117,341,807      |
| Paid/(Received)                     | 123,624,098         | 16,628,891                                   | 44,477,737               | 95,775,252          |
| Favorable/(Unfavorable) Development | 13,746,222          | (6,791,205)                                  | (8,157,230)              | 15,112,247          |
| 12/31/2016 Balance for 2015 & Prior | <u>\$ 5,453,803</u> | <u>\$ 1,000,505</u>                          | <u>\$ -</u>              | <u>\$ 6,454,308</u> |

Changes in unpaid claims adjustment expenses of \$497,216 and \$135,722 for 2016 and 2015, respectively, are included in claim adjustment expenses.

26. Intercompany Pooling Arrangements

A.-G. – none

27. Structured Settlements

Not applicable.

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

The Estimated Pharmacy Rebates as Reported on Financial Statements for December 31, 2016 and 2015.

| Quarter ended      | Estimated<br>pharmacy<br>rebates as<br>reported in<br>statutory<br>basis<br>financial<br>statements | Pharmacy<br>rebates as<br>billed | Through December 31, 2016                                        |                                                                         |                                                                      |
|--------------------|-----------------------------------------------------------------------------------------------------|----------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|
|                    |                                                                                                     |                                  | Actual<br>rebates<br>received<br>within 90<br>days of<br>billing | Actual<br>rebates<br>received<br>within 91 to<br>180 days of<br>billing | Actual<br>rebates<br>received<br>more than<br>180 days of<br>billing |
| December 31, 2016  | \$ 15,572,764                                                                                       | \$ 15,570,455                    | \$ -                                                             | \$ -                                                                    | \$ -                                                                 |
| September 30, 2016 | 16,418,570                                                                                          | 16,293,412                       | 16,291,103                                                       | -                                                                       | -                                                                    |
| June 30, 2016      | 17,735,928                                                                                          | 16,751,195                       | 16,750,615                                                       | 580                                                                     | -                                                                    |
| March 31, 2016     | 17,126,484                                                                                          | 16,985,933                       | 16,070,364                                                       | 915,569                                                                 | -                                                                    |
| December 31, 2015  | \$ 16,488,067                                                                                       | \$ 15,775,051                    | \$ 15,773,214                                                    | \$ 1,837                                                                | \$ -                                                                 |
| September 30, 2015 | 16,648,941                                                                                          | 16,156,189                       | 15,720,513                                                       | 381,790                                                                 | 53,886                                                               |
| June 30, 2015      | 21,043,835                                                                                          | 14,102,213                       | 13,423,045                                                       | 637,682                                                                 | 41,486                                                               |
| March 31, 2015     | 16,973,841                                                                                          | 12,664,312                       | 6,702,338                                                        | 5,919,761                                                               | 42,213                                                               |
| December 31, 2014  | \$ 15,791,442                                                                                       | \$ 15,136,982                    | \$ 6,615,891                                                     | \$ 8,521,091                                                            | \$ -                                                                 |
| September 30, 2014 | 14,568,540                                                                                          | 10,660,817                       | 6,364,643                                                        | 4,296,174                                                               | -                                                                    |
| June 30, 2014      | 15,094,336                                                                                          | 10,369,538                       | 5,855,576                                                        | 4,196,000                                                               | 317,962                                                              |
| March 31, 2014     | 10,247,198                                                                                          | 10,355,292                       | 5,917,858                                                        | 4,184,261                                                               | 253,173                                                              |

B. Risk Sharing Receivables

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

| Calendar Year | Evaluation Period | Risk Sharing Receivable as Estimated in the Prior Year | Risk Sharing Receivable as Estimated in the Current Year | Risk Sharing Receivable Billed | Risk Sharing Receivable Not Yet Billed | Actual Risk Sharing Amounts Collected in Year Invoiced | Actual Risk Sharing Receivable First Year Subsequent | Actual Risk Sharing Amounts Received Second Year Subsequent | Actual Risk Sharing Amounts Received - All Other |
|---------------|-------------------|--------------------------------------------------------|----------------------------------------------------------|--------------------------------|----------------------------------------|--------------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------|
| 2016          | 2016              | \$ —                                                   | \$ 11,537,249                                            | \$ —                           | \$ 11,537,249                          | \$ —                                                   | \$ —                                                 | \$ —                                                        | \$ —                                             |
|               | 2017              | xxx                                                    | —                                                        | xxx                            | —                                      | xxx                                                    | —                                                    | xxx                                                         | —                                                |
| 2015          | 2015              | \$ 11,835,622                                          | \$ —                                                     | \$ 20,050,526                  | \$ —                                   | \$ 20,050,526                                          | \$ —                                                 | \$ —                                                        | \$ —                                             |
|               | 2016              | xxx                                                    | —                                                        | xxx                            | —                                      | xxx                                                    | —                                                    | xxx                                                         | —                                                |
| 2014          | 2014              | \$ 9,248,499                                           | \$ —                                                     | \$ 1,802,306                   | \$ —                                   | \$ 1,802,306                                           | \$ —                                                 | \$ —                                                        | \$ —                                             |
|               | 2015              | xxx                                                    | —                                                        | xxx                            | —                                      | xxx                                                    | —                                                    | xxx                                                         | —                                                |

C. Other Healthcare Receivables

Other Healthcare receivables included:

|                                |                     |
|--------------------------------|---------------------|
| Claims overpayment receivables | \$ 1,223,326        |
| Other healthcare receivables   | <u>2,961,354</u>    |
|                                | <u>\$ 4,184,680</u> |

29. Participating Policies

None.

30. Premium Deficiency Reserves

None.

31. Anticipated Salvage and Subrogation

None.

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? ..... Yes [ X ] No [ ]  
If yes, complete Schedule Y, Parts 1, 1A and 2
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? ..... Yes [ X ] No [ ] N/A [ ]
- 1.3 State Regulating? ..... Tennessee
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? ..... Yes [ ] No [ X ]
- 2.2 If yes, date of change: .....
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. .... 12/31/2014
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. .... 12/31/2014
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). .... 04/29/2016
- 3.4 By what department or departments?  
Tennessee Department of Commerce and Insurance .....
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? ..... Yes [ ] No [ ] N/A [ X ]
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? ..... Yes [ X ] No [ ] N/A [ ]
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? ..... Yes [ ] No [ X ]  
4.12 renewals? ..... Yes [ ] No [ X ]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? ..... Yes [ ] No [ X ]  
4.22 renewals? ..... Yes [ ] No [ X ]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? ..... Yes [ ] No [ X ]
- 5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|---------------------|------------------------|------------------------|
|                     |                        |                        |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? ..... Yes [ ] No [ X ]
- 6.2 If yes, give full information:  
.....
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? ..... Yes [ ] No [ X ]
- 7.2 If yes,  
7.21 State the percentage of foreign control; ..... %  
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

| 1<br>Nationality | 2<br>Type of Entity |
|------------------|---------------------|
|                  |                     |

## GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? ..... Yes [ ] No [ X ]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? ..... Yes [ ] No [ X ]
- 8.4 If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

| 1<br>Affiliate Name | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>SEC |
|---------------------|-----------------------------|----------|----------|-----------|----------|
|                     |                             |          |          |           |          |

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
PricewaterhouseCoopers, LLC,  
150 3rd Ave South, Suite 1400  
Nashville, TN 37201
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? ..... Yes [ ] No [ X ]
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:  
.....
- 10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? ..... Yes [ ] No [ X ]
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:  
.....
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? ..... Yes [ X ] No [ ] N/A [ ]
- 10.6 If the response to 10.5 is no or n/a, please explain  
.....
11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?  
Gregory N. Malone  
Appointed Actuary  
Cigna  
900 Cottage Grove Rd C5PRC  
Bloomfield, CT 06152
- 12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? ..... Yes [ ] No [ X ]
- 12.11 Name of real estate holding company .....
- 12.12 Number of parcels involved .....
- 12.13 Total book/adjusted carrying value ..... \$ .....
- 12.2 If, yes provide explanation:  
.....
- 13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
.....
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? ..... Yes [ ] No [ ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? ..... Yes [ ] No [ ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? ..... Yes [ ] No [ ] N/A [ ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? ..... Yes [ X ] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is No, please explain:  
.....
- 14.2 Has the code of ethics for senior managers been amended? ..... Yes [ ] No [ X ]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).  
.....
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? ..... Yes [ ] No [ X ]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).  
.....

**GENERAL INTERROGATORIES**

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [ X ]
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

| 1<br>American Bankers Association (ABA) Routing Number | 2<br>Issuing or Confirming Bank Name | 3<br>Circumstances That Can Trigger the Letter of Credit | 4<br>Amount |
|--------------------------------------------------------|--------------------------------------|----------------------------------------------------------|-------------|
|                                                        |                                      |                                                          |             |

**BOARD OF DIRECTORS**

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [ X ] No [ ]
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [ X ] No [ ]
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [ X ] No [ ]

**FINANCIAL**

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [ X ]
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers.....\$ .....0
  - 20.12 To stockholders not officers.....\$ .....0
  - 20.13 Trustees, supreme or grand (Fraternal Only) .....\$ .....0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers.....\$ .....0
  - 20.22 To stockholders not officers.....\$ .....0
  - 20.23 Trustees, supreme or grand (Fraternal Only) .....\$ .....0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [ X ]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others.....\$ .....0
  - 21.22 Borrowed from others.....\$ .....0
  - 21.23 Leased from others.....\$ .....0
  - 21.24 Other.....\$ .....0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [ ] No [ X ]
- 22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment \$ .....0
  - 22.22 Amount paid as expenses.....\$ .....0
  - 22.23 Other amounts paid.....\$ .....0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [ X ] No [ ]
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: \$ ..... 22,719

**INVESTMENT**

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03)..... Yes [ X ] No [ ]
- 24.02 If no, give full and complete information relating thereto  
.....
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)  
.....
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] N/A [ X ]
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.....\$ .....
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.....\$ .....
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] N/A [ X ]
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] N/A [ X ]
- 24.09 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] N/A [ X ]

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**GENERAL INTERROGATORIES**

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

|                                                                                                                       |          |   |
|-----------------------------------------------------------------------------------------------------------------------|----------|---|
| 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.....                   | \$ ..... | 0 |
| 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2..... | \$ ..... | 0 |
| 24.103 Total payable for securities lending reported on the liability page.....                                       | \$ ..... | 0 |

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). ..... Yes [ X ] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

|                                                                                                |          |           |
|------------------------------------------------------------------------------------------------|----------|-----------|
| 25.21 Subject to repurchase agreements .....                                                   | \$ ..... | 0         |
| 25.22 Subject to reverse repurchase agreements .....                                           | \$ ..... | 0         |
| 25.23 Subject to dollar repurchase agreements .....                                            | \$ ..... | 0         |
| 25.24 Subject to reverse dollar repurchase agreements .....                                    | \$ ..... | 0         |
| 25.25 Placed under option agreements .....                                                     | \$ ..... | 0         |
| 25.26 Letter stock or securities restricted as to sale -<br>excluding FHLB Capital Stock ..... | \$ ..... | 0         |
| 25.27 FHLB Capital Stock .....                                                                 | \$ ..... | 0         |
| 25.28 On deposit with states .....                                                             | \$ ..... | 7,398,711 |
| 25.29 On deposit with other regulatory bodies .....                                            | \$ ..... | 0         |
| 25.30 Pledged as collateral - excluding collateral pledged to<br>an FHLB .....                 | \$ ..... | 0         |
| 25.31 Pledged as collateral to FHLB - including assets<br>backing funding agreements .....     | \$ ..... | 0         |
| 25.32 Other .....                                                                              | \$ ..... | 0         |

25.3 For category (25.26) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|                            |                  |             |

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? ..... Yes [ ] No [ X ]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? ..... Yes [ ] No [ ] N/A [ X ]  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? ..... Yes [ ] No [ X ]

27.2 If yes, state the amount thereof at December 31 of the current year. .... \$ .....

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? ..... Yes [ X ] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s)  | 2<br>Custodian's Address                                  |
|----------------------------|-----------------------------------------------------------|
| JP Morgan Chase, N.A. .... | 4 Chase Metro Tech Center, Brooklyn, New York 11245 ..... |

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? ..... Yes [ ] No [ X ]

28.04 If yes, give full and complete information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

**GENERAL INTERROGATORIES**

28.05 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts"; "...handle securities"]

| 1<br>Name of Firm or Individual | 2<br>Affiliation |
|---------------------------------|------------------|
| Cigna Investments, Inc. ....    | A.....           |

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets?..... Yes [ ] No [ X ]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets?..... Yes [ ] No [ X ]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

| 1<br>Central Registration Depository Number | 2<br>Name of Firm or Individual | 3<br>Legal Entity Identifier (LEI) | 4<br>Registered With | 5<br>Investment Management Agreement (IMA) Filed |
|---------------------------------------------|---------------------------------|------------------------------------|----------------------|--------------------------------------------------|
| 105811 .....                                | Cigna Investment, Inc. ....     | Not Available .....                | SEC .....            | DS.....                                          |

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? ..... Yes [ ] No [ X ]

29.2 If yes, complete the following schedule:

| 1<br>CUSIP #    | 2<br>Name of Mutual Fund | 3<br>Book/Adjusted Carrying Value |
|-----------------|--------------------------|-----------------------------------|
| 29.2999 - Total |                          | 0                                 |

29.3 For each mutual fund listed in the table above, complete the following schedule:

| 1<br>Name of Mutual Fund (from above table) | 2<br>Name of Significant Holding of the Mutual Fund | 3<br>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4<br>Date of Valuation |
|---------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------------------------|------------------------|
|                                             |                                                     |                                                                                       |                        |

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

|                             | 1<br>Statement (Admitted) Value | 2<br>Fair Value | 3<br>Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|-----------------------------|---------------------------------|-----------------|--------------------------------------------------------------------------------|
| 30.1 Bonds .....            | 253,930,461                     | 256,235,471     | 2,305,010                                                                      |
| 30.2 Preferred stocks ..... | .0                              |                 | .0                                                                             |
| 30.3 Totals                 | 253,930,461                     | 256,235,471     | 2,305,010                                                                      |

30.4 Describe the sources or methods utilized in determining the fair values:

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality. In instances where there is little or no market activity for the same or similar instruments, the Company estimates fair value 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 by the Company which becomes significant with increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used. ....

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? ..... Yes [ ] No [ X ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? ..... Yes [ ] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
.....

32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? ..... Yes [ X ] No [ ]

32.2 If no, list exceptions:  
.....

## GENERAL INTERROGATORIES

### OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....0

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

34.1 Amount of payments for legal expenses, if any? .....\$ .....0

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....0

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

| 1<br>Name | 2<br>Amount Paid |
|-----------|------------------|
|           |                  |

# GENERAL INTERROGATORIES

## PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? ..... Yes [ ] No [ X ]

1.2 If yes, indicate premium earned on U.S. business only. .... \$ \_\_\_\_\_

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? ..... \$ \_\_\_\_\_

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above ..... \$ \_\_\_\_\_

1.5 Indicate total incurred claims on all Medicare Supplement Insurance. .... \$ \_\_\_\_\_ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned ..... \$ \_\_\_\_\_ 0

1.62 Total incurred claims ..... \$ \_\_\_\_\_ 0

1.63 Number of covered lives ..... 0

All years prior to most current three years:

1.64 Total premium earned ..... \$ \_\_\_\_\_ 0

1.65 Total incurred claims ..... \$ \_\_\_\_\_ 0

1.66 Number of covered lives ..... 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned ..... \$ \_\_\_\_\_ 0

1.72 Total incurred claims ..... \$ \_\_\_\_\_ 0

1.73 Number of covered lives ..... 0

All years prior to most current three years:

1.74 Total premium earned ..... \$ \_\_\_\_\_ 0

1.75 Total incurred claims ..... \$ \_\_\_\_\_ 0

1.76 Number of covered lives ..... 0

2. Health Test:

|                                   | 1<br>Current Year | 2<br>Prior Year |
|-----------------------------------|-------------------|-----------------|
| 2.1 Premium Numerator .....       | 1,666,231,263     | 1,588,819,934   |
| 2.2 Premium Denominator .....     | 1,666,231,263     | 1,588,819,934   |
| 2.3 Premium Ratio (2.1/2.2) ..... | 1.000             | 1.000           |
| 2.4 Reserve Numerator .....       | 160,986,927       | 159,217,521     |
| 2.5 Reserve Denominator .....     | 160,986,927       | 159,217,521     |
| 2.6 Reserve Ratio (2.4/2.5) ..... | 1.000             | 1.000           |

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? ..... Yes [ ] No [ X ]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? ..... Yes [ X ] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? ..... Yes [ ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? ..... Yes [ ] No [ X ]

5.2 If no, explain:  
Management has elected not to purchase stop-loss reinsurance based on historical trends.

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical ..... \$ \_\_\_\_\_ 0

5.32 Medical Only ..... \$ \_\_\_\_\_ 0

5.33 Medicare Supplement ..... \$ \_\_\_\_\_ 0

5.34 Dental & Vision ..... \$ \_\_\_\_\_ 0

5.35 Other Limited Benefit Plan ..... \$ \_\_\_\_\_ 0

5.36 Other ..... \$ \_\_\_\_\_ 0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
Contracts contain "hold-harmless" language. ....

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? ..... Yes [ X ] No [ ]

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year ..... 20,264

8.2 Number of providers at end of reporting year ..... 29,730

9.1 Does the reporting entity have business subject to premium rate guarantees? ..... Yes [ ] No [ X ]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months.. \$ \_\_\_\_\_

9.22 Business with rate guarantees over 36 months ..... \$ \_\_\_\_\_

## GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? ..... Yes  No

10.2 If yes:

|                                                    |    |             |
|----------------------------------------------------|----|-------------|
| 10.21 Maximum amount payable bonuses.....          | \$ | 9,611,017   |
| 10.22 Amount actually paid for year bonuses.....   | \$ | (1,811,977) |
| 10.23 Maximum amount payable withholds.....        | \$ | .....       |
| 10.24 Amount actually paid for year withholds..... | \$ | .....       |

11.1 Is the reporting entity organized as:

|                                                        |                                         |                                        |
|--------------------------------------------------------|-----------------------------------------|----------------------------------------|
| 11.12 A Medical Group/Staff Model, .....               | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
| 11.13 An Individual Practice Association (IPA), or, .. | Yes <input type="checkbox"/>            | No <input checked="" type="checkbox"/> |
| 11.14 A Mixed Model (combination of above)? .....      | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/>            |

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? ..... Yes  No

11.3 If yes, show the name of the state requiring such minimum capital and surplus. .... Tennessee

11.4 If yes, show the amount required. .... \$ 28,743,469

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? ..... Yes  No

11.6 If the amount is calculated, show the calculation  
 Formula based on Premium Revenue as noted in TCA 56-32-212(a). Calculation includes 4% of the first \$150,000,000 of annual premium revenue as reported on the most recent annual statement filed and 1.5% of annual premium revenue in excess of \$150,000,000.

12. List service areas in which reporting entity is licensed to operate:

| 1<br>Name of Service Area |
|---------------------------|
| Anderson, TN .....        |
| Bedford, TN .....         |
| Benton, TN .....          |
| Bledsoe, TN .....         |
| Blount, TN .....          |
| Bradley, TN .....         |
| Campbell, TN .....        |
| Cannon, TN .....          |
| Carroll, TN .....         |
| Cheatham, TN .....        |
| Chester, TN .....         |
| Clay, TN .....            |
| Cocke, TN .....           |
| Coffee, TN .....          |
| Crockett, TN .....        |
| Cumberland, TN .....      |
| Davidson, TN .....        |
| De Kalb, TN .....         |
| Decatur, TN .....         |
| Dickson, TN .....         |
| Fayette, TN .....         |
| Fentress, TN .....        |
| Gibson, TN .....          |
| Giles, TN .....           |
| Grainger, TN .....        |
| Grundy, TN .....          |
| Hamblen, TN .....         |
| Hamilton, TN .....        |
| Hancock, TN .....         |
| Hardeman, TN .....        |
| Hardin, TN .....          |
| Haywood, TN .....         |
| Henderson, TN .....       |
| Hickman, TN .....         |
| Houston, TN .....         |
| Humphreys, TN .....       |
| Jackson, TN .....         |
| Jefferson, TN .....       |
| Knox, TN .....            |
| Lauderdale, TN .....      |
| Lawrence, TN .....        |
| Lewis, TN .....           |
| Lincoln, TN .....         |
| Loudon, TN .....          |
| Macon, TN .....           |
| Madison, TN .....         |
| Marion, TN .....          |
| Marshall, TN .....        |
| Maury, TN .....           |
| Mc Minn, TN .....         |
| Mc Nairy, TN .....        |
| Meigs, TN .....           |
| Monroe, TN .....          |
| Montgomery, TN .....      |
| Moore, TN .....           |
| Morgan, TN .....          |
| Overton, TN .....         |
| Perry, TN .....           |
| Pickett, TN .....         |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

| 1<br>Name of Service Area |
|---------------------------|
| Polk, TN .....            |
| Putnam, TN .....          |
| Rhea, TN .....            |
| Roane, TN .....           |
| Robertson, TN .....       |
| Rutherford, TN .....      |
| Scott, TN .....           |
| Sequatchie, TN .....      |
| Sevier, TN .....          |
| Shelby, TN .....          |
| Smith, TN .....           |
| Stewart, TN .....         |
| Sumner, TN .....          |
| Tipton, TN .....          |
| Trousdale, TN .....       |
| Union, TN .....           |
| Van Buren, TN .....       |
| Warren, TN .....          |
| Wayne, TN .....           |
| White, TN .....           |
| Williamson, TN .....      |
| Wilson, TN .....          |
| Craighead, AR .....       |
| Crittenden, AR .....      |
| Greene, AR .....          |
| Lawrence, AR .....        |
| Mississippi, AR .....     |
| Poinsett, AR .....        |
| Attala, MS .....          |
| Covington, MS .....       |
| Forrest, MS .....         |
| George, MS .....          |
| Hancock, MS .....         |
| Harrison, MS .....        |
| Hinds, MS .....           |
| Jackson, MS .....         |
| Jones, MS .....           |
| Lamar, MS .....           |
| Leake, MS .....           |
| Madison, MS .....         |
| Marion, MS .....          |
| Pearl River, MS .....     |
| Perry, MS .....           |
| Rankin, MS .....          |
| Stone, MS .....           |
| Cook, IL .....            |
| Du Page, IL .....         |
| Kane, IL .....            |
| Lake, IL .....            |
| Will, IL .....            |

13.1 Do you act as a custodian for health savings accounts? ..... Yes [ ] No [ X ]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. .... \$ .....

13.3 Do you act as an administrator for health savings accounts? ..... Yes [ ] No [ X ]

13.4 If yes, please provide the balance of funds administered as of the reporting date. .... \$ .....

14.1 Are any of the captive affiliates reported on Schedule S, Part 3, authorized reinsurers? ..... Yes [ ] No [ ] N/A [ X ]

14.2 If the answer to 14.1 is yes, please provide the following:

| 1<br>Company Name | 2<br>NAIC<br>Company<br>Code | 3<br>Domiciliary<br>Jurisdiction | 4<br>Reserve<br>Credit | Assets Supporting Reserve Credit |                          |            |
|-------------------|------------------------------|----------------------------------|------------------------|----------------------------------|--------------------------|------------|
|                   |                              |                                  |                        | 5<br>Letters of<br>Credit        | 6<br>Trust<br>Agreements | 7<br>Other |
| .....             | .....                        | .....                            | .....                  | .....                            | .....                    | .....      |

15. Provide the following for individual ordinary life insurance\* policies (U.S. business only) for the current year (prior to reinsurance assumed or ceded):

15.1 Direct Premium Written ..... \$ .....

15.2 Total Incurred Claims ..... \$ .....

15.3 Number of Covered Lives .....

| *Ordinary Life Insurance Includes                                                         |
|-------------------------------------------------------------------------------------------|
| Term(whether full underwriting, limited underwriting, jet issue, "short form app")        |
| Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app") |
| Variable Life (with or without secondary gurarantee)                                      |
| Universal Life (with or without secondary gurarantee)                                     |
| Variable Universal Life (with or without secondary gurarantee)                            |

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

**FIVE-YEAR HISTORICAL DATA**

|                                                                                                              | 1<br>2016     | 2<br>2015     | 3<br>2014     | 4<br>2013     | 5<br>2012     |
|--------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Balance Sheet</b> (Pages 2 and 3)                                                                         |               |               |               |               |               |
| 1. Total admitted assets (Page 2, Line 28) .....                                                             | 364,215,054   | 345,388,994   | 286,053,860   | 259,967,649   | 270,221,134   |
| 2. Total liabilities (Page 3, Line 24) .....                                                                 | 187,968,124   | 186,092,092   | 168,453,488   | 143,940,986   | 112,835,013   |
| 3. Statutory minimum capital and surplus requirement .....                                                   | 28,743,469    | 27,582,299    | 24,241,630    | 21,301,105    | 19,522,260    |
| 4. Total capital and surplus (Page 3, Line 33) .....                                                         | 176,246,930   | 159,296,902   | 117,600,372   | 116,026,663   | 157,386,121   |
| <b>Income Statement</b> (Page 4)                                                                             |               |               |               |               |               |
| 5. Total revenues (Line 8) .....                                                                             | 1,667,704,000 | 1,589,610,084 | 1,366,188,356 | 1,170,128,656 | 1,052,197,932 |
| 6. Total medical and hospital expenses (Line 18) .....                                                       | 1,369,546,403 | 1,295,264,639 | 1,130,421,420 | 985,236,120   | 820,409,879   |
| 7. Claims adjustment expenses (Line 20) .....                                                                | 97,429,543    | 42,031,454    | 32,011,602    | 31,632,390    | 33,417,997    |
| 8. Total administrative expenses (Line 21) .....                                                             | 172,375,293   | 213,826,702   | 188,142,918   | 141,230,711   | 123,411,653   |
| 9. Net underwriting gain (loss) (Line 24) .....                                                              | 28,352,761    | 38,860,203    | 15,239,502    | 12,029,435    | 75,263,651    |
| 10. Net investment gain (loss) (Line 27) .....                                                               | 7,786,194     | 7,316,101     | 6,962,641     | 3,516,084     | 3,595,421     |
| 11. Total other income (Lines 28 plus 29) .....                                                              | (209,905)     | (821,862)     | (2,929,146)   | (562,191)     | (129,804)     |
| 12. Net income or (loss) (Line 32) .....                                                                     | 14,169,389    | 21,174,431    | 5,050,360     | 9,461,697     | 50,956,803    |
| <b>Cash Flow</b> (Page 6)                                                                                    |               |               |               |               |               |
| 13. Net cash from operations (Line 11) .....                                                                 | 32,438,992    | (8,992,950)   | (20,137,632)  | 28,267,412    | 64,999,081    |
| <b>Risk-Based Capital Analysis</b>                                                                           |               |               |               |               |               |
| 14. Total adjusted capital .....                                                                             | 176,246,930   | 159,296,902   | 117,600,372   | 116,026,663   | 157,386,121   |
| 15. Authorized control level risk-based capital .....                                                        | 54,399,294    | 51,661,150    | 45,363,374    | 38,701,836    | 32,194,238    |
| <b>Enrollment</b> (Exhibit 1)                                                                                |               |               |               |               |               |
| 16. Total members at end of period (Column 5, Line 7) .....                                                  | 126,457       | 130,212       | 129,215       | 111,581       | 96,031        |
| 17. Total members months (Column 6, Line 7) .....                                                            | 1,605,396     | 1,558,863     | 1,454,837     | 1,297,341     | 1,127,271     |
| <b>Operating Percentage</b> (Page 4)<br>(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0            |               |               |               |               |               |
| 18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....                                      | 100.0         | 100.0         | 100.0         | 100.0         | 100.0         |
| 19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....                           | 82.2          | 81.5          | 82.7          | 84.2          | 78.0          |
| 20. Cost containment expenses .....                                                                          | 4.7           | 1.6           | 1.9           | 1.9           | 2.3           |
| 21. Other claims adjustment expenses .....                                                                   | 1.1           | 1.0           | 0.4           | 0.8           | 0.9           |
| 22. Total underwriting deductions (Line 23) .....                                                            | 98.4          | 97.6          | 98.9          | 99.0          | 92.9          |
| 23. Total underwriting gain (loss) (Line 24) .....                                                           | 1.7           | 2.4           | 1.1           | 1.0           | 7.2           |
| <b>Unpaid Claims Analysis</b><br>(U&I Exhibit, Part 2B)                                                      |               |               |               |               |               |
| 24. Total claims incurred for prior years (Line 13, Col. 5) .....                                            | 102,229,560   | 106,846,258   | 87,407,769    | 60,020,391    | 77,989,223    |
| 25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)] .....                                | 117,341,807   | 100,322,174   | 88,844,484    | 62,494,972    | 56,095,805    |
| <b>Investments In Parent, Subsidiaries and Affiliates</b>                                                    |               |               |               |               |               |
| 26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....                                                 | 0             |               |               |               | 0             |
| 27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....                                      |               |               |               |               |               |
| 28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....                                         |               |               |               | 0             |               |
| 29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) ..... | 0             | 0             | 0             | 0             | 0             |
| 30. Affiliated mortgage loans on real estate .....                                                           |               |               |               |               |               |
| 31. All other affiliated .....                                                                               |               |               |               |               |               |
| 32. Total of above Lines 26 to 31 .....                                                                      | 0             | 0             | 0             | 0             | 0             |
| 33. Total investment in parent included in Lines 26 to 31 above.                                             |               |               |               |               |               |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? Yes [ ] No [ ]  
If no, please explain: .....

**SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS**

**Allocated by States and Territories**

| 1                                                                    | Direct Business Only |                            |                      |                    |                                                 |                                                |                            |                           |                        |  |
|----------------------------------------------------------------------|----------------------|----------------------------|----------------------|--------------------|-------------------------------------------------|------------------------------------------------|----------------------------|---------------------------|------------------------|--|
|                                                                      | 2                    | 3                          | 4                    | 5                  | 6                                               | 7                                              | 8                          | 9                         |                        |  |
| States, etc.                                                         | Active Status        | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefits Plan Premiums | Life & Annuity Premiums & Other Considerations | Property/Casualty Premiums | Total Columns 2 Through 7 | Deposit-Type Contracts |  |
| 1. Alabama                                                           | AL                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 2. Alaska                                                            | AK                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 3. Arizona                                                           | AZ                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 4. Arkansas                                                          | AR                   | L                          | 9,033,549            |                    |                                                 |                                                |                            | 9,033,549                 |                        |  |
| 5. California                                                        | CA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 6. Colorado                                                          | CO                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 7. Connecticut                                                       | CT                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 8. Delaware                                                          | DE                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 9. District of Columbia                                              | DC                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 10. Florida                                                          | FL                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 11. Georgia                                                          | GA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 12. Hawaii                                                           | HI                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 13. Idaho                                                            | ID                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 14. Illinois                                                         | IL                   | L                          | 298,029,458          | 149,951,815        |                                                 |                                                |                            | 447,981,273               |                        |  |
| 15. Indiana                                                          | IN                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 16. Iowa                                                             | IA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 17. Kansas                                                           | KS                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 18. Kentucky                                                         | KY                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 19. Louisiana                                                        | LA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 20. Maine                                                            | ME                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 21. Maryland                                                         | MD                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 22. Massachusetts                                                    | MA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 23. Michigan                                                         | MI                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 24. Minnesota                                                        | MN                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 25. Mississippi                                                      | MS                   | L                          | 121,792,831          |                    |                                                 |                                                |                            | 121,792,831               |                        |  |
| 26. Missouri                                                         | MO                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 27. Montana                                                          | MT                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 28. Nebraska                                                         | NE                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 29. Nevada                                                           | NV                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 30. New Hampshire                                                    | NH                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 31. New Jersey                                                       | NJ                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 32. New Mexico                                                       | NM                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 33. New York                                                         | NY                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 34. North Carolina                                                   | NC                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 35. North Dakota                                                     | ND                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 36. Ohio                                                             | OH                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 37. Oklahoma                                                         | OK                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 38. Oregon                                                           | OR                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 39. Pennsylvania                                                     | PA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 40. Rhode Island                                                     | RI                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 41. South Carolina                                                   | SC                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 42. South Dakota                                                     | SD                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 43. Tennessee                                                        | TN                   | L                          | 1,087,423,610        |                    |                                                 |                                                |                            | 1,087,423,610             |                        |  |
| 44. Texas                                                            | TX                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 45. Utah                                                             | UT                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 46. Vermont                                                          | VT                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 47. Virginia                                                         | VA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 48. Washington                                                       | WA                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 49. West Virginia                                                    | WV                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 50. Wisconsin                                                        | WI                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 51. Wyoming                                                          | WY                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 52. American Samoa                                                   | AS                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 53. Guam                                                             | GU                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 54. Puerto Rico                                                      | PR                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 55. U.S. Virgin Islands                                              | VI                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 56. Northern Mariana Islands                                         | MP                   | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 57. Canada                                                           | CAN                  | N                          |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 58. Aggregate other alien                                            | OT                   | XXX                        | 0                    | 0                  | 0                                               | 0                                              | 0                          | 0                         | 0                      |  |
| 59. Subtotal                                                         | XXX                  | 0                          | 1,516,279,448        | 149,951,815        | 0                                               | 0                                              | 0                          | 1,666,231,263             | 0                      |  |
| 60. Reporting entity contributions for Employee Benefit Plans        | XXX                  |                            |                      |                    |                                                 |                                                |                            | 0                         |                        |  |
| 61. Total (Direct Business)                                          | (a) 4                | 0                          | 1,516,279,448        | 149,951,815        | 0                                               | 0                                              | 0                          | 1,666,231,263             | 0                      |  |
| DETAILS OF WRITE-INS                                                 |                      |                            |                      |                    |                                                 |                                                |                            |                           |                        |  |
| 58001.                                                               | XXX                  |                            |                      |                    |                                                 |                                                |                            |                           |                        |  |
| 58002.                                                               | XXX                  |                            |                      |                    |                                                 |                                                |                            |                           |                        |  |
| 58003.                                                               | XXX                  |                            |                      |                    |                                                 |                                                |                            |                           |                        |  |
| 58998. Summary of remaining write-ins for Line 58 from overflow page | XXX                  | 0                          | 0                    | 0                  | 0                                               | 0                                              | 0                          | 0                         | 0                      |  |
| 58999. Totals (Lines 58001 through 58003 plus 58998)(Line 58 above)  | XXX                  | 0                          | 0                    | 0                  | 0                                               | 0                                              | 0                          | 0                         | 0                      |  |

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

Medicare Advantage premiums are based upon premiums received from the Centers for Medicare and Medicaid Services (CMS), as adjusted for the Company's best estimate of the 2016 final risk adjustment revenue to be received from CMS in Q-3-17. The Company has different CMS H plans for Tennessee, Illinois, and Mississippi and thus received separate monthly CMS plan payment reports for each state. The Arkansas premiums are included in the Tennessee H plan payment and detail reporting from CMS. The Arkansas business is assigned specific primary benefit plan (PBP) numbers within the Tennessee H plan. These PBPs are used to identify and report the Arkansas activity.

(a) Insert the number of L responses except for Canada and Other Alien.

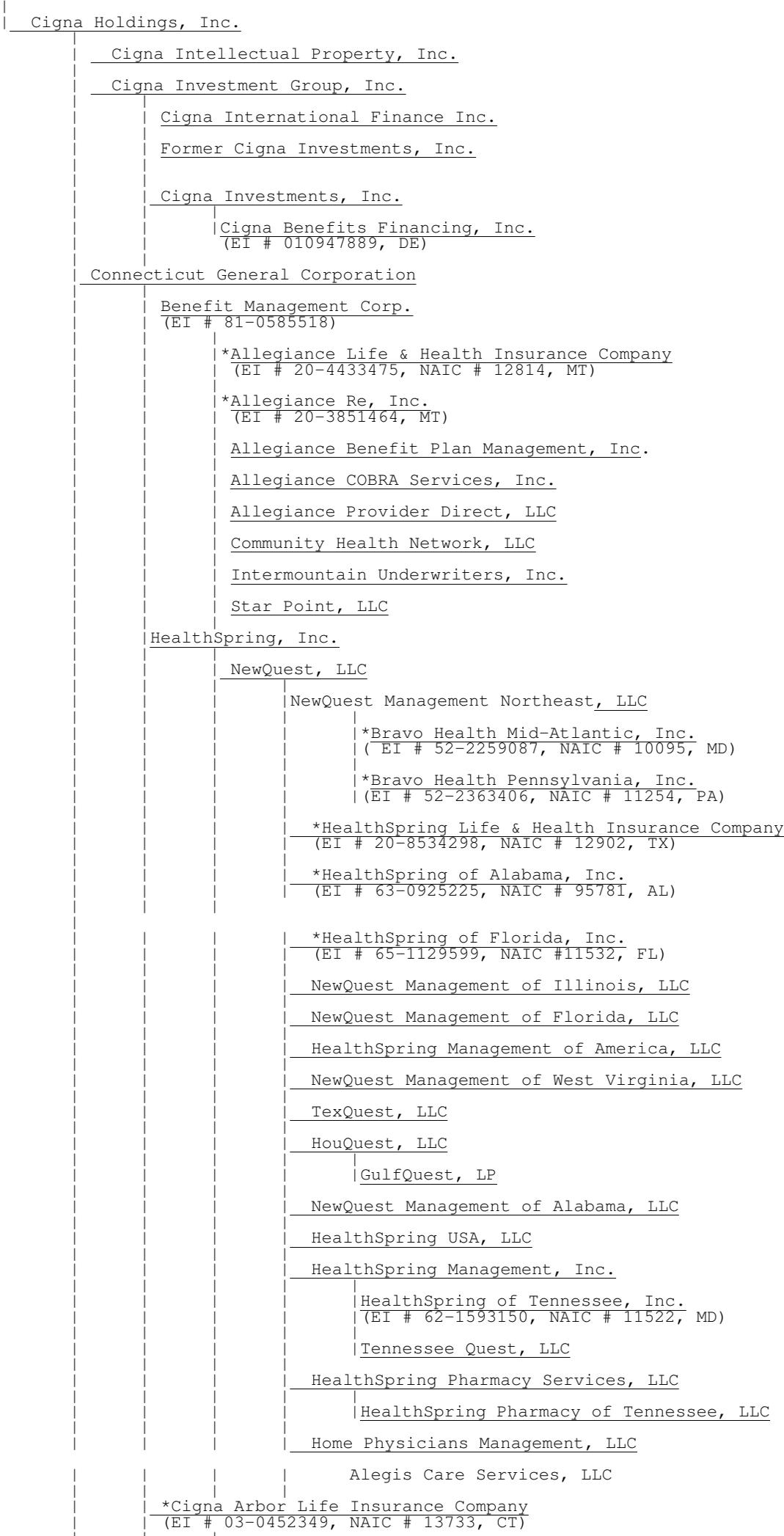
ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

PART 1 -- ORGANIZATION CHART

The following is a listing identifying and indicating the interrelationships among all affiliated insurers (identified by an asterisk, and if such insurer is incorporated in the United States of America, by a Federal Employer Identification Number, NAIC Company Code and Jurisdiction of Incorporation) and all other affiliates, as of December 31, 2016:

**Cigna CORPORATION**

(A Delaware corporation and ultimate parent company)



ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

Cigna Behavioral Health, Inc.

Cigna Behavioral Health of California, Inc.  
(EI# 94-3107309)

Cigna Behavioral Health of Texas, Inc.  
(EI# 75-2751090)

MCC Independent Practice Association of New York, Inc.

Cigna Dental Health, Inc.

Cigna Dental Health of California, Inc.  
(EI# 59-2600475, CA)

Cigna Dental Health of Colorado, Inc.  
(EI# 59-2675861, NAIC # 11175, CO)

Cigna Dental Health of Delaware, Inc.  
(EI# 59-2676987, NAIC # 95380, DE)

Cigna Dental Health of Florida, Inc.  
(EI# 59-1611217, NAIC # 52021, FL)

Cigna Dental Health of Illinois, Inc.  
(EI# 06-1351097, IL)

Cigna Dental Health of Kansas, Inc.  
(EI# 59-2625350, NAIC # 52024, KS)

Cigna Dental Health of Kentucky, Inc.  
(EI# 59-2619589, NAIC # 52108, KY)

Cigna Dental Health of Missouri, Inc.  
(EI#06-1582068, NAIC # 11160, MO)

Cigna Dental Health of New Jersey, Inc.  
(EI# 59-2308062, NAIC # 11167, NJ)

Cigna Dental Health of North Carolina, Inc.  
(EI# 56-1803464 , NAIC # 95179, NC)

Cigna Dental Health of Ohio, Inc.  
(EI# 59-2579774, NAIC # 47805, OH)

Cigna Dental Health of Pennsylvania, Inc.  
(EI# 52-1220578, NAIC # 47041, PA)

Cigna Dental Health of Texas, Inc.  
(EI# 59-2676977, NAIC # 95037, TX)

Cigna Dental Health of Virginia, Inc.  
(EI# 52-2188914, NAIC # 52617, VA)

Cigna Dental Health Plan of Arizona, Inc.  
(EI# 86-0807222, NAIC # 47013, AZ)

Cigna Dental Health of Maryland, Inc.  
(EI#20-2844020, NAIC #48119, MD)

Cigna Health Corporation

Healthsource, Inc.

Cigna HealthCare of Arizona, Inc.  
(EI# 86-0334392, NAIC#95125, AZ)

Cigna HealthCare of California, Inc.  
(EI# 95-3310115, CA)

Cigna HealthCare of Colorado, Inc.  
(EI# 84-1004500, NAIC # 95604, CO)

Cigna HealthCare of Connecticut, Inc.  
(EI# 06-1141174, NAIC # 95660, CT)

Cigna HealthCare of Florida, Inc.  
(EI# 59-2089259, NAIC # 95136, FL)

Cigna HealthCare of Illinois, Inc.  
(EI# 36-3385638, NAIC # 95602, IL)

Cigna HealthCare of Maine, Inc.  
(EI# 01-0418220, NAIC # 95447, ME)

Cigna HealthCare of Massachusetts, Inc.  
(EI# 02-0402111, NAIC # 95220, MA)

Cigna HealthCare Mid-Atlantic, Inc.  
(EI# 52-1404350, NAIC # 95599, MD)

Cigna HealthCare of New Hampshire, Inc.  
(EI# 02-0387749, NAIC # 95493, NH)

Cigna HealthCare of New Jersey, Inc.  
(EI# 22-2720890, NAIC # 95500, NJ)

Cigna HealthCare of Pennsylvania, Inc.  
(EI# 23-2301807, NAIC # 95121, PA)

Cigna HealthCare of St. Louis, Inc.  
(EI# 36-3359925, NAIC # 95635, MO)

Cigna HealthCare of Utah, Inc.  
(EI# 62-1230908, NAIC # 95518, UT)

Cigna HealthCare of Georgia, Inc.  
(EI# 58-1641057, NAIC # 96229, GA)

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Cigna HealthCare of Texas, Inc.  
 (EI# 74-2767437, NAIC # 95383, TX)  
Cigna HealthCare of Indiana, Inc.  
 (EI# 35-1679172, NAIC # 95525, IN)  
Cigna HealthCare of Tennessee, Inc.  
 (EI# 62-1218053, NAIC # 95606, TN)  
Cigna HealthCare of North Carolina, Inc.  
 (EI# 56-1479515, NAIC# 95132, NC)  
Cigna HealthCare of South Carolina, Inc.  
 (EI# 06-1185590, NAIC # 95708, SC)  
\*Temple Insurance Company Limited  
Arizona Health Plan, Inc.  
Healthsource Properties, Inc.  
Managed Care Consultants, Inc.  
Cigna Benefit Technology Solutions, Inc.  
Sagamore Health Network, Inc.  
Cigna Healthcare Holdings, Inc.  
 (EI# 84-0985843)  
Great-West Healthcare of Illinois, Inc.  
 (EI# 93-1174749, NAIC 95388, IL)  
Cigna Healthcare, Inc.  
\*Cigna Life Insurance Company of New York  
 (EI# 13-2556568, NAIC # 64548, NY)  
\*Connecticut General Life Insurance Company  
 (EI# 06-0303370, NAIC # 62308, CT)  
CG Mystic Center LLC  
Station Landing LLC  
CG Mystic Land LLC  
CG Skyline, LLC  
Skyline ND/CG LLC  
Skyline Mezzanine Borrower, LLC  
Skyline at Station Landing, LLC  
Careallies, LLC  
CG Bayport LLC  
Bayport Colony Apartments LLC  
Cigna Onsite Health, LLC  
Gillette Ridge Community Council, Inc.  
Gillette Ridge Golf LLC  
Hazard Center Investment Company LLC  
Tel-Drug of Pennsylvania, LLC  
GRG Acquisitions LLC  
Cigna Affiliates Realty Investment Group, LLC  
 (EI# 27-5402196, DE)  
CR Longwood Investors, LP  
ND/CR Longwood LLC  
ARE/ND/CR Longwood LLC  
Secon Properties, LP  
Transwestern Federal Holdings, L.L.C.  
Transwestern Federal, L.L.C.  
Market Street Residential Holdings LLC  
Arborpoint at Market Street LLC  
Diamondview Tower CM-CG LLC  
CR Washington Street Investors LP  
Dulles Town Center Mall, LLC  
ND/CR Unicorn LLC  
Union Wharf Apartments LLC  
AMD Apartments Limited Partnership

ANNUAL STATEMENT FOR THE YEAR 2016 OF THE HealthSpring of Tennessee, Inc.

SP Newport Crossing LLC  
PUR Arbors Apartments Venture LLC  
CG Seventh Street, LLC  
Ideal Properties II LLC  
Alessandro Partners, LLC  
Mallory Square Partners I, LLC  
Houston Briar Forest Apartments Limited Partnership  
Newtown Partners II, LP  
Newtown Square GP LLC  
AFA Apartments Limited Partnership  
SB-SNH LLC  
     680 Investors LLC  
     685 New Hampshire LLC  
CGGL 18301 LLC  
  
222 Main Street Caring GP LLC  
222 Main Street Investors LP  
Notch 8 Residential, L.L.C.  
UVL, LLC  
3601 North Fairfax Drive Associates, LLC  
  
CI Perris 151, LLC  
Lakehills CM - CG LLC  
Affiliated Hotel Subsidiary LLC  
CGGL 6280 LLC  
Berewick Apartments LLC  
CIG-LEI Ygnacio Associates LLC  
CGGL Orange Collection LLC  
     CGGL Chapman LLC  
     CGGL City Parkway LLC  
Heights at Bear Creek Venture LLC  
CORAC LLC  
     Bridgepoint Office Park Associates, LLC  
     (EI# 27-3923999, DE)  
     Fairway Center Associates, LLC  
     (EI# 27-3126102, DE)  
     Henry on the Park Associates, LLC  
     (EI 27-3582688, DE)  
\*Cigna Health and Life Insurance Company  
 (EI # 59-1031071, NAIC # 67369, CT)  
     CarePlexus, LLC  
     (EI# 45-2681649; DE)  
     Cigna Corporate Services, LLC  
     (EI 27-3396038, DE)  
     Cigna Insurance Agency, LLC  
     (EI # 27-1903785, CT)  
     Ceres Sales of Ohio, LLC  
     (EI # 34-1970892, OH)  
     Central Reserve Life Insurance Company  
     (EI # 34-0970995, NAIC # 61727, OH)  
         Provident American Life & Health Insurance Company  
         (EI # 23-1335885, NAIC # 67903, OH)  
             United Benefit Life Insurance Company  
             (EI # 75-2305400, NAIC # 65269, OH)  
     Loyal American Life Insurance Company  
     (EI # 63-0343428, NAIC # 65722, OH)  
         American Retirement Life Insurance Company  
         (EI # 59-2760189, NAIC # 88366, OH)  
QualCare Alliance Networks, Inc.  
     QualCare, Inc.  
     Scibal Associates, Inc.  
     QualCare Captive Insurance Company Inc., PCC  
     QualCare Management Resources Limited Liability Company  
     Health-Lynx, LLC





**OVERFLOW PAGE FOR WRITE-INS**

Additional Write-ins for Liabilities Line 23

|                                                                     | Current Year |                |            | Prior Year |
|---------------------------------------------------------------------|--------------|----------------|------------|------------|
|                                                                     | 1<br>Covered | 2<br>Uncovered | 3<br>Total | 4<br>Total |
| 2304. Fines and Penalties .....                                     | 50,000       |                | 50,000     |            |
| 2397. Summary of remaining write-ins for Line 23 from overflow page | 50,000       | 0              | 50,000     | 0          |

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