



THE COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS
REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
GREAT-WEST HEALTHCARE OF MASSACHUSETTS, INC.

Greenwood Village, CO

As of December 31, 2006

NAIC GROUP CODE 769

NAIC COMPANY CODE 95659

EMPLOYER'S ID NUMBER 04-3333755

GREAT-WEST HEALTHCARE OF MASSACHUSETTS, INC.

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COMMONWEALTH OF MASSACHUSETTS

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May 27, 2008

The Honorable Alfred W. Gross
Chair, Financial Condition (E) Committee, NAIC
Commissioner of Insurance
The Commonwealth of Virginia
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The Honorable Nonnie S. Burnes
Commissioner of Insurance
The Commonwealth of Massachusetts
Office of Consumer Affairs and Business Regulation
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Honorable Commissioners:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 176G, Section 10, an examination has been made of the financial condition and affairs of the

GREAT-WEST HEALTHCARE OF MASSACHUSETTS, INC. Greenwood Village, CO

at its statutory home office located at One Apple Hill Drive, Suite 106, Natick, Massachusetts 01760. The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

Great-West Healthcare of Massachusetts, Inc. (hereinafter referred to as “the Company” or “Great-West”) was examined as of December 31, 2006 by the Massachusetts Division of Insurance, and included any material transactions and/or events occurring during the five-year period prior to the examination date and subsequent events noted during the course of this examination.

The scope of the financial examination was limited due to the Company’s plan of operation. Starting in 2002 and as of December 31, 2006 the Company was actively in the process of voluntarily surrendering its Certificate of Authority to operate as a Health Maintenance Organization (HMO) in the Commonwealth of Massachusetts. Included in the scope of this examination was a review of documents supporting the Company’s effort to successfully achieve this strategic plan and convert to a general business corporation. During this process, the Company worked closely with the Division’s Financial Surveillance Unit and the Division’s Office of the General Counsel, all of which was taken into consideration when planning and conducting the examination and efforts were directed accordingly.

Deloitte & Touche LLP, (“D&T”) an independent certified public accounting firm, audits the Company annually. The firm expressed unqualified opinions on the Company’s financial statements for all calendar years covered by this examination.

HISTORY

General

The Company was licensed as an HMO in the Commonwealth of Massachusetts on May 6, 1996 and commenced operations on June 16, 1997. The Company is only licensed in Massachusetts and principally offered managed care products and services. As of December 31, 2006, the Company had no participating providers, members, or unpaid policy claim liabilities, and had effectively exited the Massachusetts HMO market. The Company was formerly known as “One Health Plan of Massachusetts, Inc.”

Capital and Paid In-Surplus

The Company has authorized 10,000 shares of no par value common stock, 340 shares of which are issued and outstanding. All shares were issued to and held by Great-West Healthcare Holdings, Inc. and the reported value as of December 31, 2006 was \$3,400,000. Gross paid-in and contributed surplus is reported at \$1,840,000.

Growth of Company

The growth of the Company, including total admitted assets, total liabilities and capital and surplus of the Company from 2002 to 2006 is shown in the following schedule.

Great-West Healthcare of Massachusetts, Inc.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital & Surplus</u>
2006	\$1,576,384	\$ 18,180	\$1,558,204
2005	1,549,789	10,321	1,539,468
2004	1,542,997	36,393	1,506,604
2003	2,457,096	404,074	2,053,022
2002	3,959,942	2,424,967	1,534,975

MANAGEMENT

Meetings of the Stockholders

The annual meeting of the stockholders is held from time to time as determined by the Board of Directors. The purpose for which the annual meeting is to be held, in addition to those prescribed by law, by the Articles of Incorporation, or these by-laws, may be specified by the Board of Directors or president.

Special meetings of the stockholders may be called for any purpose at any time by the president or the Board of Directors. Business transacted at any special meeting of the stockholders shall be confined to the purpose stated in the notice of the meeting.

Board of Directors

The Company's by-laws indicate that the Board of Directors shall have and may exercise all the powers of the Company except as otherwise reserved to the stockholders. In accordance with the by-laws, the Company shall have a Board of Directors which shall consist of not less than three (3), the number of directors to be fixed from time to time by the Board. Directors need not be stockholders. Each director shall hold office until the next annual meeting of the stockholders and until such director's successor is duly elected and qualified.

Regular meetings of the Board may be held without call or notice at such places and at such times as the Board may from time to time determine, provided that reasonable notice of the first regular meeting following any such determination shall be given to absent directors. A regular meeting of the directors may be held without call or notice immediately after and at the same place as the annual meeting of the stockholders.

Special meetings of the Board may be held at any time and place designated in the call of the meeting, when called by the chairman of the board, if any, the president or two or more directors, reasonable notice thereof being given to each director by the secretary or assistant secretary.

At each meeting of the Board, a majority of the directors then in office shall constitute a quorum. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

Great-West Healthcare of Massachusetts, Inc.

Directors duly elected and serving at December 31, 2006, are as follows:

Donna A. Goldin, Chairperson
Christopher M. Knackstedt
Martin Rosenbaum

Committees of the Board

The Company's by-laws allows the Board, by a vote of a majority of the directors then in office, to constitute committees, including an executive committee, and may delegate thereto some or all of its powers except those which by law, by the Articles of Incorporation, or by the by-laws may not be delegated.

Officers

The by-laws of the Company provide that the officers of the Company shall consist of a chairman of the board, president, a treasurer, a clerk, a secretary and such other officers as deemed necessary. Officers shall be elected annually by the directors. Other officers, if any, may be elected or appointed by the Board at any other time. Roles and responsibilities of these officers are defined by the by-laws.

The names of these officers and their respective titles at December 31, 2006 follow:

Name	Title
Donna A. Goldin	Chairperson
Joan Russo	President
Glen R. Derback	Treasurer
David C. Larsen	Clerk and Secretary

AFFILIATED COMPANIES

As of December 31, 2006, the Company was a wholly owned subsidiary of Great-West Healthcare Holdings, Inc., which is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company, a Colorado life insurance company, which is a wholly owned subsidiary of GWL&A Financial Inc., a holding company formed in 1998. The ultimate public company controlling the Company is Power Corporation of Canada ("PCC").

The Company is a party to an Administrative Services Agreement and a Solicitor Agreement with Great-West Life & Annuity Insurance Company. The Company is also a party to a Tax Allocation Agreement and its federal income tax return is consolidated with other members in the Great-West Life & Annuity Financial, Inc. Holding Company structure.

SPECIAL DEPOSITS

The special deposit of the Company as of December 31, 2006 is as follows:

<u>Jurisdiction</u>	<u>Description of Deposit</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Massachusetts	U.S. Treasury Note 2.63% Due 3/15/09	\$1,200,000	\$1,195,482	\$1,146,792
		<u>\$1,200,000</u>	<u>\$1,195,482</u>	<u>\$1,146,792</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

As previously noted, as of December 31, 2006, the Company was only licensed to write business in the Commonwealth of Massachusetts. In September of 2002 the Company notified the Division of its intent to discontinue and non-renew all of its health business in the Commonwealth of Massachusetts. At that time the Company stopped issuing new health maintenance contracts. Massachusetts General Laws requires a notice of non-renewal to employers of at least 180 days prior to non-renewal of a policy and the non-renewal must occur on the policy renewal or anniversary date. Therefore, policyholders with renewals scheduled through April 2003 were allowed to retain their policies if so elected. Policies scheduled to renew after April 2003 were non-renewed, and the Company has had no policyholders in the Commonwealth of Massachusetts since the second quarter of 2004.

CONFLICT OF INTEREST PROCEDURES

The Company has a written conflict of interest policy statement, the provisions of which are summarized as follows, and directors, officers and employees must acknowledge the following:

- Action to avoid actual or perceived conflicts of interest between themselves and the Company, whether or not those conflicts are specifically prohibited by the said policy.
- Action to not directly or indirectly engage in any personal business transaction or private arrangement for personal profit, divulge confidential or restricted Company information to any unauthorized persons or to use such information for personal gain, act in any manner which involves the Company and in which the director, officer or employee has a personal interest which is incompatible or inconsistent with his/her obligations to the Company, offer or accept gifts, gratuities or other personal rewards designed to influence business transactions, influence negotiations or transactions between the Company and its vendors, or accept outside employment or hold outside directorships that may conflict with the Company's interest.
- Compliance statements from directors and officers are required annually.

REINSURANCE

Effective July 1, 2000, the Company effected an inter-company quota share reinsurance arrangement with Great-West Life and Annuity Insurance Company to provide 90% quota share reinsurance on the Company's rights, obligations, and liabilities under the HMO group subscriber contracts issued by the Company.

ACCOUNTS AND RECORDS

The books and records of the Company are audited annually by Deloitte & Touche LLP, Independent Certified Accountants in accordance with 211 CMR 43.14. Deloitte & Touche LLP issued an unqualified opinion on the December 31, 2006 financial statements. Subsequent to the examination date and prior to year-end 2007, the Company requested, based on the then current situation, and was granted a waiver from the Division of the requirement to file audited financial statements, actuarial opinion, and management discussion and analysis for the year ending December 31, 2007.

SUBSEQUENT EVENTS

Subsequent to the examination date, and prior to commencement of the scheduled examination, the Company notified the Division of its intention to surrender its Certificate of Authority to operate as an HMO. The company further requested that it be allowed to convert to a general business corporation that is not authorized to operate as an HMO in the Commonwealth of Massachusetts.

As a condition to the approval, the Division desired to have any and all of the Company's existing and future liabilities and obligations guaranteed indefinitely subsequent to the approval of surrender of the Company's Certificate of Authority.

To facilitate the desire of the Division to have any and all of the Company's existing and future liabilities and obligations guaranteed indefinitely, the Company entered into an "Assignment and Assumption Agreement" with Great-West Life & Annuity Insurance Company, its indirect parent. Great-West Life & Annuity Insurance Company is a licensed life and health insurer in the Commonwealth of Massachusetts. Under the terms of this agreement all liabilities and obligations of the Company that arise out of or under any policy or contract of insurance, as well as all liabilities and obligations of the Company of any nature, are absolutely, unconditionally and irrevocably assumed by Great-West Life & Annuity Insurance Company.

Based on the foregoing, the Division is satisfied that the Company's HMO and other liabilities will be fully assumed by Great-West Life & Annuity Insurance Company, licensed as a life and health insurer in the Commonwealth of Massachusetts. Therefore, effective January 11, 2008 the Massachusetts Commissioner of Insurance approved the Assignment and Assumption Agreement executed December 31, 2007 and the Company's surrender to the Division of its HMO Certificate of Authority, and further authorized the Company to convert to a general business corporation. Subsequent to the Division's approval, the Company was merged into Great-West Healthcare, Inc., a Vermont corporation, on March 21, 2008. Effective April 1,

Great-West Healthcare of Massachusetts, Inc.

2008, Connecticut General Life Insurance Company purchased Great-West Healthcare, Inc. (now "CIGNA Healthcare, Inc.")

Based on the above and the fact that the Company has now surrendered its Certificate of Authority to operate as a Health Maintenance Organization in the Commonwealth of Massachusetts, this 2006 statutory examination is the final examination to be conducted by the Division of Insurance.

FINANCIAL STATEMENTS

The following financial statements are presented on the basis of accounting practices prescribed or permitted by the Division and the NAIC as of December 31, 2006:

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2006

Statement of Revenues and Expenses for the Year Ended December 31, 2006

Reconciliation of Capital and Surplus for Each Year in the Three Year Period Ended December 31, 2006

For Information Purposes Only

Great-West Healthcare of Massachusetts, Inc.

Great-West Healthcare of Massachusetts, Inc.
Statement of Assets, Liabilities, Surplus and Other Funds
as of December 31, 2006

	Per Company	Examination Changes	Per Examination
Assets			
Bonds	\$1,195,482	\$0	\$1,195,482
Cash on hand and on deposit	301,264		301,264
Short-term investments	69,538		69,538
Investment income due and accrued	9,718		9,718
Receivable from parent, subsidiaries and affiliates	26		26
Aggregate write-ins for other than invested assets	356		356
Total Assets	<u>\$1,576,384</u>	<u>\$0</u>	<u>\$1,576,384</u>
Liabilities			
General expenses due or accrued	\$908	\$0	\$908
Current Federal and foreign income tax payable	16,062		16,062
Net Deferred tax liability	1,210		1,210
Total Liabilities	<u>\$18,180</u>	<u>\$0</u>	<u>\$18,180</u>
Common capital stock	\$3,400,000	\$0	\$3,400,000
Gross paid in and contributed surplus	1,840,000		1,840,000
Unassigned Funds (surplus)	(3,681,796)		(3,681,796)
Total capital and surplus	<u>1,558,204</u>		<u>1,558,204</u>
Total liabilities, capital and surplus	<u>\$1,576,384</u>	<u>\$0</u>	<u>\$1,576,384</u>

Great-West Healthcare of Massachusetts, Inc.

Great-West Healthcare of Massachusetts, Inc.
Statement of Revenue and Expenses
For the Year Ended December 31, 2006

	Per Company	Examination Changes	Per Examination
Member Months	0	0	0
Revenue	\$0	\$0	\$0
Expenses			
Hospital/medical benefits	(2,073)		(2,073)
Other professional services	(91)		(91)
Emergency room and out-of-area	(195)		(195)
Subtotal	(2,359)		(2,359)
Less:			
Net reinsurance recoveries	(2,123)		(2,123)
Total hospital and medical	(236)		(236)
Claim adjustment expenses	(94)		(94)
General administrative expenses	3,288		3,288
Total underwriting deductions	\$2,958		2,958
Net underwriting gain or (loss)	(\$2,958)		(2,958)
Net investment income earned	50,351		50,351
Net income after capital gains and before all other federal income taxes	47,393		47,393
Federal and foreign income taxes incurred	16,062		16,062
Net income (loss)	\$31,331	\$0	\$31,331
Capital and Surplus Account			
Capital and surplus prior reporting period	\$1,539,468	\$0	\$1,539,468
Net Income (loss)	31,331		31,331
Change in net deferred income tax	(1,440)		(1,440)
Change in nonadmitted assets	230		230
Aggregate write-ins for gains or (losses) in surplus	(11,385)		(11,385)
Net change in capital and surplus	18,736		18,736
Capital and surplus end of reporting period	\$1,558,204	\$0	\$1,558,204

Great-West Healthcare of Massachusetts, Inc.

Great-West Healthcare of Massachusetts, Inc.
For Each Year in the Three Year Period Ended December 31, 2006

Capital and Surplus Account	2006	2005	2004
Capital and surplus prior reporting period	\$1,539,468	\$1,506,604	\$2,053,022
Net Income (loss)	31,331	28,349	7,661
Change in net deferred income tax	(1,440)	4,681	5,794
Change in nonadmitted assets	230	(166)	127
Surplus adjustments: Paid in	0	0	(560,000)
Aggregate write-ins for gains or (losses) in surplus	(11,385)	0	0
Net change in capital and surplus	18,736	32,864	(546,418)
Capital and surplus end of reporting period	\$1,558,204	\$1,539,468	\$1,506,604

For Information Purposes Only

ACKNOWLEDGEMENT

Acknowledgment is made of the cooperation and courtesies extended by the officers and employees of Great-West Healthcare of Massachusetts, Inc. to all the examiners during the course of the examination.

John M. Curran, CFE
Supervising Examiner and Examiner-in-Charge
Commonwealth of Massachusetts
Division of Insurance

For Information Purposes Only