LIFE INSURANCE COMPANY OF NORTH AMERICA

(A WHOLLY – OWNED SUBSIDIARY OF NEW YORK LIFE INSURANCE COMPANY)

STATUTORY FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

pwc

Report of Independent Auditors

To the Board of Directors of the Life Insurance Company of North America

We have audited the accompanying statutory financial statements of the Life Insurance Company of North America (the "Company"), which comprise the statutory statements of admitted assets, liabilities and surplus as of December 31, 2020 and 2019, and the related statutory statements of income and changes in surplus, and of cash flows for the years then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Pennsylvania Insurance Department. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Pennsylvania Insurance Department, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020 and 2019, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the Pennsylvania Insurance Department described in Note 1.

PricewaterhouseCoopers LLP

New York, New York
May 24, 2021

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A WHOLLY-OWNED SUBSIDIARY OF NEW YORK LIFE INSURANCE COMPANY)

STATUTORY BALANCE SHEETS

(In millions, except share information) *As of December 31,*	2020	2019
ASSETS		
Cash and invested assets:		
Cash, cash equivalents and short-term investments	**$ 653**	$ 708
Bonds, principally at amortized cost (fair value, $7,420; $5,867)	**6,797**	5,539
Common stocks, see Note 1 (cost, $0, $17)	**-**	17
Preferred stock, principally at cost (fair value, $0; $27)	**-**	24
Commercial mortgage loans	**627**	834
Other invested assets	**-**	962
Total cash and invested assets	**8,077**	8,084
Amounts due from reinsurers	**30**	21
Amounts receivable relating to uninsured plans	**14**	13
Deferred tax assets	**245**	83
Premiums and considerations receivable	**387**	402
Accrued investment income	**62**	56
Receivables from parent, subsidiaries and affiliates	**2**	2
Other assets	**41**	266
Total assets excluding separate accounts	**8,858**	8,927
Separate account assets	**16**	542
Total assets	**$ 8,874**	$ 9,469
LIABILITIES		
Aggregate reserves for life, accident and health policies and contracts	**5,045**	4,729
Liability for deposit-type contracts	**757**	622
Contract claims – life, accident, and health	**607**	628
Other policy and contract liabilities	**59**	61
Accrued commissions, expenses and taxes	**140**	208
Current income tax payable	**-**	5
Remittance and items not allocated	**177**	122
Asset valuation reserve	**69**	144
Interest maintenance reserve	**8**	-
Payables to parent, subsidiaries and affiliates	**-**	52
Other liabilities	**64**	52
Total liabilities excluding separate accounts	**6,926**	6,623
Separate account liabilities	**16**	542
Total liabilities	**$ 6,942**	$ 7,165
CAPITAL AND SURPLUS		
Capital stock ($100 par value; 30,000 shares authorized; 25,000 issued and outstanding)	**3**	3
Paid in surplus	**178**	86
Unassigned funds	**1,751**	2,215
Total capital and surplus	**1,932**	2,304
Total liabilities and capital and surplus	**$ 8,874**	$ 9,469

The accompanying Notes to the Statutory Financial Statements are an integral part of these statements.

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A WHOLLY-OWNED SUBSIDIARY OF NEW YORK LIFE INSURANCE COMPANY)

STATUTORY STATEMENTS OF INCOME AND CHANGES IN CAPITAL AND SURPLUS

(In millions) *For the years ended December 31,*	**2020**	2019
REVENUES		
Premiums and annuity and other considerations	**$ 4,055**	$ 3,931
Commissions and expense allowances on reinsurance ceded	**21**	3
Net investment income and amortization of interest maintenance reserve	**278**	337
Total	**4,354**	4,271
BENEFITS AND EXPENSES		
Benefits expense	**3,076**	2,823
Interest on policy or contract funds	**9**	2
Increase in policy reserves	**316**	147
Commissions expense	**269**	251
Insurance taxes, licenses and fees	**118**	107
General insurance expenses	**497**	545
Total	**4,285**	3,875
INCOME FROM OPERATIONS BEFORE FEDERAL AND FOREIGN INCOME	**69**	396
Federal and foreign income taxes	**128**	90
INCOME FROM OPERATIONS	**(59)**	306
Realized capital gains, net of taxes and interest maintenance reserve	**233**	24
NET INCOME	**174**	330
Dividends paid to parent	**(662)**	(200)
Additional paid-in surplus	**92**	-
Change in:		
Net unrealized foreign exchange capital gain	**7**	6
Net unrealized capital loss	**(203)**	(32)
Net deferred income tax	**791**	14
Non-admitted assets	**(647)**	423
Asset valuation reserve	**75**	(12)
Liability for reinsurance in unauthorized and certified companies	**1**	(1)
Net (decrease) increase in capital and surplus	**(372)**	528
Capital and surplus, beginning of year	**2,304**	1,776
CAPITAL AND SURPLUS, End of Year	**$ 1,932**	$ 2,304

The accompanying Notes to the Statutory Financial Statements are an integral part of these statements.

LIFE INSURANCE COMPANY OF NORTH AMERICA
(A WHOLLY-OWNED SUBSIDIARY OF NEW YORK LIFE INSURANCE COMPANY)

STATUTORY STATEMENTS OF CASH FLOWS

(In millions)

For the years ended December 31,	**2020**	2019
NET CASH FROM OPERATIONS		
Premiums and annuity and other considerations	**$ 4,045**	$ 3,902
Net investment income	**265**	319
Miscellaneous income	**22**	9
Total revenues received	**4,332**	4,230
Benefits and loss related payments	**3,115**	2,787
Commissions, expenses and taxes	**912**	835
Total benefits, expenses and transfers paid	**4,027**	3,622
Federal and foreign income taxes paid	**141**	93
Total expenses paid	**4,168**	3,715
Net cash provided by operations	**164**	515
NET CASH FROM INVESTMENTS		
Proceeds from investments sold, matured or repaid:		
Bonds	**1,252**	1,297
Stocks	**40**	6
Commercial mortgage loans	**574**	128
Other invested assets	**1,063**	156
Other	**23**	17
Net proceeds from investments sold, matured or repaid	**2,952**	1,604
Cost of investments acquired:		
Bonds	**(2,517)**	(922)
Stocks	**-**	(13)
Commercial mortgage loans	**(361)**	(94)
Other invested assets	**(59)**	(180)
Other	**(17)**	(6)
Net Cost of Investments Acquired	**(2,954)**	(1,215)
Net cash (used in) provided by investment activities	**(2)**	389
NET CASH FROM FINANCING		
Capital and paid in surplus	**92**	-
Dividends to parent	**(662)**	(200)
Net deposits on deposit-type contracts and other insurance liabilities	**136**	(61)
Other	**217**	(12)
Net cash used in financing activities	**(217)**	(273)
Net (decrease) increase in cash, cash equivalents and short-term investments	**(55)**	631
Cash, cash equivalents and short-term investments, beginning of year	**708**	77
Cash, cash equivalents and short-term investments, end of year	**$ 653**	$ 708

The accompanying Notes to the Statutory Financial Statements are an integral part of these statements.

The Company reported the following non-cash operating, investing and financing activities:	*2020*	*2019*
Exchanging noncash assets and liabilities for other noncash assets or liabilities	*$ 100*	*$ 139*

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

New York Life Acquisition

On December 31, 2020, Cigna's group life and group disability business, which includes the Life Insurance Company of North America ("the Company") and Cigna Life Insurance Company of New York, was acquired by New York Life Insurance Company ("New York Life"). Effective March 10, 2021, the Cigna Life Insurance Company of New York has been renamed New York Life Group Insurance Company of NY" ("NYLGICNY"). As of the acquisition date, both the Company and NYLGICNY became direct wholly owned subsidiaries of New York Life.

Nature of Operations

The Company is a direct wholly-owned subsidiary of New York Life. The Company's principal products are group disability, primarily long-term disability ("LTD"), life, accident and specialty insurance. The Company is domiciled in the Commonwealth of Pennsylvania, and licensed in the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada and all states except New York. The Company is also an accredited reinsurer in the State of New York.

Sale of the Equity Interest in Cigna & CMB Life Insurance Company Limited ("China JV")

In connection with the sale of the Company from Cigna to New York Life, on December 3, 2020, the Company sold its full equity interest in the Cigna & CMB Life Insurance Company Limited ("China JV") to Cigna Health and Life Insurance Company ("CHLIC") a subsidiary of Cigna. The sale was for cash consideration of $387 million equal to the March 31, 2020 statutory book value of the China JV which was materially less than its fair value. The transaction was approved in August 2020 by both the Connecticut Department of Insurance and Pennsylvania Department of Insurance, the domiciliary regulator of CHLIC and the Company, respectively. Immediately following the sale of the China JV, the Company paid an extraordinary dividend to its then direct parent, Connecticut General Corporate ("CGC") in an amount equal to the amount of proceeds received. The Company incurred $87 million in tax transfer expenses payable to the People's Republic of China associated with the sale. LINA transferred the liability to CGC, resulting in additional paid in capital.

Business Risks and Uncertainties

The Company is exposed to an array of risks, including, but not limited to, regulatory actions, financial risk, risks associated with its investments and operational risk, including cyber security.

The novel coronavirus ("COVID-19") pandemic continues to spread in the United States and throughout the world, and has created and may continue to create extreme stress and disruption in the global economy and financial markets, as well as elevated mortality and morbidity experience for the global population. The ultimate extent of the impact will depend on numerous factors, all of which are highly uncertain and cannot be predicted. These factors include the length and severity of the outbreak, including the impact of new variants of the virus and the efficacy of vaccines and therapeutic treatments in combating the virus, the effectiveness of responses to the pandemic taken by governments and private sector businesses, and the impacts on New York Life's customers, employees and vendors. The Company continues to monitor the economic environment and other potential impacts relating to the COVID-19 pandemic as it relates to the risks described below on its insurance liabilities, investment portfolio and business operations.

The Company is regulated by the insurance departments of the states and territories where it is licensed to do business. Although the federal government does not directly regulate the business of insurance, federal legislation and administrative policies can significantly and adversely affect the insurance industry and the Company. The Company is unable to predict whether any administrative or legislative proposals, at either the federal or state level, will be adopted in the future, or the effect, if any, such proposals would have on the Company.

The Company's insurance liabilities are exposed to market risk, policyholder behavior risk and morbidity/mortality/longevity risk. Furthermore, the level of sales of the Company's insurance products is influenced by many factors, including terms and conditions of competing products.

The Company is exposed to the risks normally associated with an investment portfolio, which include interest rate, liquidity, credit and counterparty risks. The Company controls its exposure to these risks by, among other things, closely monitoring and managing the duration and cash flows of its assets and liabilities, maintaining a large percentage of its portfolio in highly liquid securities, engaging in a disciplined process of underwriting, reviewing and monitoring credit risk, and by devoting significant resources to develop and periodically update its risk management policies and procedures.

The Company relies on technology systems and solutions to conduct business and to retain, store, protect, and manage confidential information. The failure of the Company's technology systems and solutions, or those of a vendor, for any reason has the potential to disrupt its operations, result in the loss of customer business, damage the Company's reputation, and expose the Company to litigation and regulatory action, all of which could adversely impact its profitability.

A. Accounting Practices

The Statutory Financial Statements of the Company are presented in conformity with accounting practices prescribed or permitted by the State of Pennsylvania Insurance Department (the "Department"). The Department has adopted the National Association of Insurance Commissioners' ("NAIC") Statutory Accounting Principles ("SAP" or "SSAPs").

The Company obtained explicit permission from the Department on February 13, 2018 to adopt the NAIC's amended Model Regulation known as the Health Insurance Reserves Model Regulation, which also references Actuarial Guideline XLVII. This amended Model Regulation requires use of the new 2012 GLTD Valuation tables as the basis of the minimum claim reserve standard for Group Long Term Disability for all claims incurred on or after the operative date of the Valuation Model (January 1, 2017), regardless of the issue date of the contract. The Regulation also allows, at the Company's discretion, use of the new valuation tables on all open claims. The Department has not adopted these Model Regulation amendments to date.

The Company continues to use the permitted practice to apply the 2012 GLTD valuation table to all open claims. The Company's 2020 Risk Based Capital was not materially impacted by the permitted accounting practice.

The Company's net income and capital and surplus do not differ between practices prescribed by the Department and NAIC SAP for the years ended December 31, 2020 and 2019 due to the approved permitted statutory practice.

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. NAIC SAP 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. Significant estimates are discussed throughout these Notes; however, actual results could differ from those estimates.

C. Accounting Policy

(1) Financial Instruments: In the normal course of business, the Company enters into transactions involving various types of financial instruments. These financial instruments may include various instruments recorded on the balance sheet and off-balance sheet financial instruments. 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 and, when management considers it appropriate, uses a derivative instrument or obtains collateral or another form of security to minimize risk of loss.

The Company estimates fair values of financial instruments 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. The internal pricing methods generally involve using discounted cash flow analyses that incorporate 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. See Note 15 for information on the Company's fair value measurements.

NOTES TO FINANCIAL STATEMENTS

(2) Cash and Cash Equivalents: Cash and cash equivalents consist of cash and short-term investments that will mature in three months or less from the time of purchase. Cash equivalents and short-term investments are carried at cost.

(3) Investments: Investments are valued in accordance with the requirements of the NAIC SAP. The carrying values of investments are generally stated as follows:

Bonds, Short-term Investments and Preferred Stocks. Investments in bonds, short-term investments and redeemable preferred stocks are carried at amortized cost, and non-redeemable preferred stocks at cost, except those in or near default, which 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 date which produces the lowest asset value (yield to worst). Investments with original maturities of one year or less but greater than three months at the time of acquisition from the time of purchase are classified as short-term. Bonds and preferred stocks are considered impaired, and their cost basis is written down to fair value through an asset valuation reserve for credit-related losses or an interest maintenance reserve for interest-related losses, when management expects a decline in value to persist (i.e., the decline is other-than-temporary).

Hybrid Securities. Hybrid securities are designed with both debt and equity characteristics and are intended to provide protection to the issuer's senior note holders. In accordance with SSAP No. 26, *Bonds, excluding Loan-backed and Structured Securities*, hybrid securities are reported in bonds.

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

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.

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

Common Stocks. Common stocks are carried at fair value except for common stock of affiliates that are valued using methods described below.

Subsidiary, Controlled, and Affiliated (SCA) Entities. Subsidiary, controlled, and affiliated entities are reported using the statutory equity method based on the entity's audited equity prepared using NAIC SAP or accounting principles generally accepted in the United States of America (GAAP), as appropriate in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled, and Affiliated Entities*. These entities are presented on the balance sheet as common stock or other invested assets.

Commercial Mortgage Loans. Mortgage loans held by the Company are made exclusively to commercial borrowers at a fixed rate of interest. Commercial mortgage loans are carried at unpaid principal balances or, if impaired, the lower of unpaid principal or fair value of the underlying real estate. If the fair value of the underlying real estate is less than unpaid principal on an impaired loan, a valuation reserve is recorded. Commercial mortgage loans are considered impaired when it is probable that the Company will not collect amounts due according to the terms of the original loan agreement. The Company monitors credit risk and assesses the impairment of loans individually and on a consistent basis for all loans in the portfolio. The Company estimates the fair value of the underlying real estate using internal valuations generally based on discounted cash flow analyses. Certain commercial mortgage loans without valuation reserves may be considered impaired because the Company may not collect all interest due according to the terms of the original agreements. However, the

Company expects to recover its remaining carrying value in these circumstances primarily because the fair value of the underlying real estate exceeds the carrying value of these loans.

Policy Loans. Policy loans are carried at unpaid principal balances plus accumulated interest. The loans are collateralized by insurance policy cash values and, therefore, have no exposure to credit loss.

Joint Ventures, Partnerships, Limited Liability Companies. In accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*, joint ventures, partnerships and limited liability companies are reported in other invested assets and generally use the statutory equity method as defined. Limited partnerships in which the Company has a minor ownership interest are recorded based on the underlying audited GAAP equity of the investee. These investments are presented on the balance sheet as other invested assets.

Derivative Financial Instruments. Statutory accounting rules provide that in order to qualify for hedge accounting, the derivative shall be designated as a hedge of a specific asset, liability, or anticipated transaction or portfolio of specific assets or specific liabilities. The item to be hedged must expose the reporting entity to a risk, and the designated derivative transaction must be highly effective in reducing that exposure. Conditions that expose the reporting entity to risk include changes in fair value, yield, price, cash flows and foreign exchange rates. Under hedge accounting, the derivative is accounted for in a manner consistent with the hedged item. When hedge accounting treatment does not apply, derivatives used in hedging transactions are recorded at fair value. Changes in fair value are recognized as unrealized gains and losses until contract termination or closing, when realized gains and losses are recognized in net income.

Net Investment Income. When interest and principal payments on investments are current, the Company recognizes interest income when it is earned. The Company stops recognizing interest income for bonds when interest payments are 90 days past due and for commercial mortgage loans when payment is considered delinquent or when certain terms (interest rate or maturity date) of the investment have been restructured. Investment income on these investments is only recognized when interest payments are received.

Investment Gains and Losses. 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, changes in fair value of certain derivatives that qualify for hedge accounting, investment asset write-downs and changes in valuation reserves are based on specifically identified assets and are recognized in net income, subject to the interest maintenance reserve policy described below.

(4) Non-admitted Assets: In accordance with NAIC SSAPs, 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. Certain assets are limited by factors, such as a percentage of surplus, as to the amounts that qualify as admitted assets. Such assets include electronic data processing equipment and deferred tax assets.

(5) Separate Accounts: Separate Account assets and liabilities are contractholder funds maintained in accounts with specific investment objectives. The assets of these accounts are legally segregated and insulated from the general account of the Company and are not subject to claims that arise out of any of the Company’s other businesses. The separate account assets are largely carried at fair value. Separate account liabilities are established in amounts that are adequate to meet estimated future obligations to contractholders and plan participants. The investment income, gains and losses of these accounts generally accrue to the contractholders and, therefore, do not affect the Company's net income. Premiums received and benefits paid on separate accounts flow through the general account and result in transfers between the two, which are reported in the Company’s net income.

(6) Premium and Deposit Fund Liabilities: Premium and deposit funds are liabilities for investment-related products. These liabilities primarily consist of deposits received from customers and accumulated net investment income on their fund balances less accumulated administrative charges according to contract terms and customers’ experience.

(7) Other Policy and Contract Liabilities: Liabilities for other policy and contract claims are estimates of payments to be made on insurance claims for reported losses and estimates of incurred but not reported losses. Estimated amounts of reinsurance recoverable on unpaid losses are deducted from the liability for unpaid claims. Estimated liabilities are established for policies that contain experience-rating provisions.

(8) Aggregate Reserves: Aggregate reserves for life, accident, health, disability and annuity policies are established in amounts that are adequate to meet the estimated future obligations of policies in force and that equal or exceed the required statutory minimums. For individual life policies, liabilities have been calculated using the net level premium method and the modified preliminary term method. Annuity liabilities are calculated in such a way that they equal or exceed those produced by application of the Commissioner's Annuity Reserve Valuation Method. Valuation of individual life insurance and annuity policies assumes interest discount using rates that do not exceed the statutory maximums.

During 2020 the valuation basis for a block of run-out LTD claims was changed from using the 1987 Commissioner’s Group Disability Table with company experience to the 2012 Group Long Term Disability Valuation Table with company experience. This change resulted in an immaterial change to the reserve.

(9) Premiums and Annuity and Other Considerations: Premiums for individual and group life, disability, and accident insurance are considered revenue when due.

(10) Income Taxes: For the tax years 2020 and prior, the Company was 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.

As of January 1, 2021, the Company became a member of an affiliated group, which files a consolidated federal income tax return with New York Life. The consolidated income tax provision or benefit is allocated among the members of the group in accordance with a tax allocation agreement. This tax allocation agreement provides that the Company computes its share of the consolidated tax provision or benefit, in general, on a separate company basis, and may, where applicable, include the tax benefits of operating or capital losses utilizable in the New York Life's consolidated returns. Intercompany tax balances are settled quarterly on an estimated basis with a final settlement occurring within 30 days of the filing of the consolidated tax return. Current federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year and any adjustments to such estimates from prior years.

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 10R and SSAP 10*. More detailed information about the Company’s income taxes is disclosed in Note 6.

(11) Other Liabilities: Other liabilities consist of various insurance-related liabilities including amounts related to reinsurance contracts, net adjustments due to foreign exchange rates, and escheat liabilities. Legal costs to defend the Company’s litigation and arbitration matters are recognized when the Company can reasonably estimate the cost to defend reported claims. Legal costs related to incurred but not reported claims are estimated based on the Company’s prior experience.

(12) Premium Deficiency Reserves: The Company anticipates investment income as a factor in a premium deficiency calculation, in accordance with SSAP No. 54, *Individual and Group Accident and Health Contracts.*

(13) Asset Valuation Reserve (“AVR”): The AVR is a reserve designed to reduce the impact on unassigned surplus of fluctuations in the fair value of all invested assets by providing an investment reserve for potential future losses on invested assets. The AVR is calculated in accordance with methods prescribed by the NAIC.

(14) Interest Maintenance Reserve (“IMR”): The IMR is a reserve designed to defer realized capital gains and losses resulting from general interest rate changes. As prescribed by the NAIC, such realized capital gains and losses, net of related taxes, are deferred and amortized to net investment income over the stated or expected maturity of the invested asset disposed. To the extent the deferral of capital losses results in a net asset, such amount will be non-admitted.

(15) Reinsurance in Unauthorized Companies: The Company has ceded insurance liabilities with insurers not licensed in Pennsylvania, or not approved by the Department. To the extent such liabilities are not covered by collateral or other security, Pennsylvania insurance regulations require the establishment of a liability through a charge to surplus equal to the ceded liabilities placed with such companies. There were no liabilities as of December 31, 2020, and $0.07 million as of December 31, 2019.

(16) Differences between NAIC SAP and GAAP: Statutory accounting principles as described above differ in some respects from GAAP. Principal differences under GAAP from these statutory financial statements include the following:

- Aggregate reserves for life policies are calculated using mortality, interest and expense assumptions derived from the Company's own experience or various actuarial tables.
- Bonds and preferred stocks classified as available-for-sale are carried at fair value. Adjustments to fair value are recorded in shareholders' equity as net unrealized appreciation or depreciation on investments, net of amounts required to adjust future policy benefits for run-off settlement annuity business and deferred income taxes.
- GAAP deferred tax assets or liabilities include financial statement items that are recognized differently for GAAP than for statutory accounting purposes. The GAAP tax asset does not currently include a valuation allowance which reflects management's assessment as to whether certain deferred tax assets will be realizable. These assessments could be revised in the near term if underlying circumstances change. Statutory deferred tax assets are limited to the admittable amount allowed in accordance with SSAP 101.
- Acquisition costs are deferred and amortized over the estimated contract period of the related policies.
- Reinsurance recoverables are presented as assets and are not netted against insurance liabilities.

In addition, other principal differences under GAAP from these statutory financial statements include the following:

- Non-admitted assets (including furniture and equipment) less applicable allowance accounts are restored to the balance sheet.
- The AVR and IMR are not recorded.
- The liability for reinsurance in unauthorized companies is not recorded.

D. Recent Accounting Pronouncements

In 2020, the NAIC issued Interpretation 20-01 to provide statutory accounting and reporting guidance for the adoption of ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting under U.S. GAAP*. This Interpretation adopts, with minor modification, the U.S. GAAP adopted guidance, which provides optional expedients and exceptions for applying current accounting guidance to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met, through December 31, 2022. The Company is performing an ongoing evaluation of the impact of reference rate reform on its contracts and hedging relationships. Since most of the Company's contracts and hedging relationships are expected to meet the criteria for applying the accounting expedients listed in the Interpretation, reference rate reform is not expected to significantly impact the Company's financial condition or results of operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - ACCOUNTING CHANGES AND DIFFERENCE BETWEEN FILED ANNUAL STATEMENT AND AUDITED FINANCIAL STATEMENTS

The accompanying statutory financial statements do not agree to the 2020 annual statement of the Company. The differences in the Statutory Statement of Financial Position, the Statutory Statement of Operations and the Statutory Statement of Changes in Capital and Surplus at and for the year ended December 31, 2020 are summarized in the table below:

(In millions)	As reported in the 2020 annual statement	Difference	As reported in accompanying statutory financial statements
Statutory Statement of Financial Position:			
Aggregate reserves for life, accident and health policies and contracts	$ 4,925	$ 120	$ 5,045
Contract claims – life, accident, and health	$ 602	$ 5	$ 607
Unassigned surplus	$ 1,876	$ (125)	$ 1,751
Statutory Statement of Operations:			
Benefits expense	$ 3,071	$ 5	$ 3,076
Increase in policy reserves	$ 196	$ 120	$ 316
Net income	$ 299	$ (125)	$ 174
Statutory Statement of Changes in Capital and Surplus:			
Change in net deferred income tax	$ 765	$ 26	$ 791
Change in non-admitted assets	$ (621)	$ (26)	$ (647)
Capital and surplus, end of year	$ 2,057	$ (125)	$ 1,932

The differences resulted from a detailed review of the Company's assets and liabilities by its new parent, New York Life. At the time the 2020 annual statement was filed on February 28, 2021, New York Life had not yet completed its review of the Company's assets and liabilities in accordance with terms of the purchase and sale agreement between New York Life and Cigna, but New York Life believed the amounts reflected in the annual statement were not materially misstated. As required by the purchase and sale agreement, New York Life completed its review by March 31, 2021 and identified adjustments it deemed necessary to the liabilities for policy reserves and policy claims. The full review of these balances was completed after the filing of the 2020 annual statements due to the time constraints between the change in ownership and the annual statement filing date.

NOTE 3 – INVESTMENTS

A. Bonds

The amortized cost and market value by contractual maturity periods for bonds, including short-term investment and cash equivalents, were as follows:

December 31, 2020

(In millions)	Amortized Cost	Fair Value
Due in one year or less	$ 264	$ 268
Due after one year through five years	2,078	2,231
Due after five years through ten years	3,907	4,297
Due after ten years	469	539
Mortgage- and other asset-backed securities	79	84
Total	$ 6,797	$ 7,419

NOTES TO FINANCIAL STATEMENTS

December 31, 2019

(In millions)	Amortized Cost	Fair Value
Due in one year or less	$ 321	$ 325
Due after one year through five years	1,746	1,825
Due after five years through ten years	2,704	2,872
Due after ten years	629	698
Mortgage- and other asset-backed securities	139	147
Total	$ 5,539	$ 5,867

Gross unrealized appreciation (depreciation) for bonds by type of issuer was as follows:

December 31, 2020

(In millions)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
US government	$ 8	$ 1	$ -	$ 9
All other governments	60	5	-	65
States, territories and possessions	29	3	-	32
Political subdivisions of states, territories and possessions	109	11	-	120
Special revenue and assessment	477	80	-	557
Industrial and miscellaneous	6,026	519	(2)	6,543
SVO Identified funds	-	-	-	-
Hybrid securities	9	-	-	9
Mortgage and other asset-backed	79	6	(1)	84
Total	$ 6,797	$ 625	$ (3)	$ 7,419

December 31, 2019

(In millions)	Amortized Cost	Unrealized Appreciation	Unrealized Depreciation	Fair Value
US government	$ 8	$ -	$ -	$ 8
All other governments	72	3	-	75
States, territories and possessions	38	4	-	42
Political subdivisions of states, territories and possessions	134	12	-	146
Special revenue and assessment	528	62	-	590
Industrial and miscellaneous	4,620	238	(3)	4,855
SVO Identified funds	-	-	-	-
Hybrid securities	-	4	-	4
Mortgage and other asset-backed	139	8	-	147
Total	$ 5,539	$ 331	$ (3)	$ 5,867

Private placement bonds constituted 38% of the bond portfolio at December 31, 2020 and 41% at December 31, 2019.

Disposal information for bonds for the years ended December 31 was as follows:

(In millions)	2020	2019
Proceeds from sales	$1,252	$1,297
Gross gains on sales	$33	$21
Gross losses on sales	($35)	($9)

Review of Declines in Fair Value

Management reviews bonds with a decline in fair value from cost for impairment based on criteria that include:

- length of time and severity of decline;
- financial health 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 likelihood of a required sale prior to recovery.

Based on this review, management believes the unrealized depreciation below to be temporary and, therefore, has not impaired these amounts. Bonds with a decline in fair value from cost (primarily investment grade corporate bonds) were as follows, including the length of time of such decline:

	December 31, 2020				**December 31, 2019**			
(Dollars In millions)	Fair Value	Amortized Cost	Unrealized Depreciation	Count	Fair Value	Amortized Cost	Unrealized Depreciation	Count
One year or less:								
Investment grade	$230	$232	($2)	48	$139	$139	-	42
Below investment grade	$18	$19	($1)	9	$67	$68	($1)	103
More than one year:								
Investment grade	$2	$2	-	4	$34	$35	($1)	26
Below investment grade	$5	$5	-	2	$15	$15	-	12

The unrealized depreciation of investment grade bonds is primarily due to increases in market yields since purchase. Net realized investment gains and losses before taxes and interest maintenance reserve included other-than-temporary impairments of bonds of $15 million in 2020 and $3 million in 2019.

B. Mortgage Loans, including Mezzanine Real Estate Loans

(In millions)	**2020**		**2019**	
	Min	Max	Min	Max
• The minimum and maximum lending rates for new City Loans were as follows:	3.66%	6.06%	3.50%	7.00%
• The maximum percentage of any one loan to the value of security at the time of the loan was:		70.00%		66.00%
• Impaired commercial mortgage loans without an allowance for credit losses:	$ -		$ -	
• Average recorded investment in impaired loans:	$ -		$ -	
• Interest income recognized during the period the loans were impaired:	$ -		$ -	
• Allowance for credit losses:				
• Balance at the beginning of the period	$ -		$ -	
• Additions charged to operations	-		-	
• Direct write-downs charged against the allowance	-		-	
• Recoveries of amounts previously charged off	-		-	
• Balance at the end of the period	$ -		$ -	

NOTES TO FINANCIAL STATEMENTS

At December 31, commercial mortgage loans were distributed among the following property types and geographic regions:

(In millions)	**December 31, 2020**	**December 31, 2019**
Property type:		
Office buildings	$ **123**	$ 252
Retail facilities	**64**	87
Apartment buildings	**312**	317
Hotels	**-**	57
Industrial	**102**	109
Other	**26**	12
Total	$ **627**	$ 834

(In millions)	**December 31, 2020**	**December 31, 2019**
Geographic region:		
Pacific	$ **303**	$ 419
South Atlantic	**84**	95
Central	**100**	136
New England	**88**	99
Middle Atlantic	**-**	55
Mountain	**52**	30
Total	$ **627**	$ 834

The fair value of the Company’s commercial mortgage loans was $648 million as of December 31, 2020 and $852 million as of December 31, 2019.

Credit Quality

The Company regularly evaluates and monitors credit risk, beginning with the initial underwriting of a mortgage loan and continuing throughout the investment holding period. Mortgage origination professionals employ an internal credit quality rating system designed to evaluate the relative risk of the transaction at each loan’s origination that is then updated each year as part of the annual portfolio loan review. The Company evaluates and monitors credit quality on an ongoing basis, classifying each loan as a loan in good standing, potential problem loan or problem loan.

Quality ratings are based on our evaluation of a number of key inputs related to the loan, including real estate market-related factors such as rental rates and vacancies, and property-specific inputs such as growth rate assumptions and lease rollover statistics. However, the two most significant contributors to the credit quality rating are the debt service coverage and loan-to-value ratios. The debt service coverage ratio measures the amount of property cash flow available to meet annual interest and principal payments on debt with a ratio below 1.0 indicating that there is not enough cash flow to cover the required loan payments. The loan-to-value ratio, commonly expressed as a percentage, compares the amount of the loan to the fair value of the underlying property collateralizing the loan.

NOTES TO FINANCIAL STATEMENTS

The following tables summarize the credit risk profile of the Company's commercial mortgage loan portfolio based on loan-to-value and debt service coverage ratios, as of December 31, 2020 and 2019:

Debt Service Coverage Ratio

($ in millions)	December 31, 2020			December 31, 2019		
Loan-to-Value Ratio	Carrying Value	Average Debt Service Coverage Ratio	Average Loan-to-Value Ratio	Carrying Value	Average Debt Service Coverage Ratio	Average Loan-to-Value Ratio
Below 60%	$ 376	2.02		$ 559	2.11	
60% to 79%	251	1.67		245	2.03	
80% to 100%	-	-		30	1.74	
Total	$ 627	1.88	56%	$ 834	2.08	52%

The Company's annual in-depth review of its commercial mortgage loan investments is the primary mechanism for identifying emerging risks in the portfolio. The most recent review was completed by the Company's investment professionals in the second quarter of 2020 and included an analysis of each underlying property's most recent annual financial statements, rent rolls, operating plans, budgets, a physical inspection of the property and other pertinent factors. Based on historical results, current leases, lease expirations and rental conditions in each market, the Company estimates the current year and future stabilized property income and fair value, and categorizes the investments as loans in good standing, potential problem loans or problem loans. The results of the 2020 review confirmed the overall strength of the portfolio. Based on property valuations and cash flows estimated as part of this review, and considering updates for loans where material changes were subsequently identified, the portfolio's average loan-to-value ratio increased slightly to 56% as of December 31, 2020 from 52% as of December 31, 2019, primarily due to minor collateral value changes in the underlying properties. The portfolio's average debt service coverage ratio decreased slightly to 1.88 as of December 31, 2020 from 2.08 as of December 31, 2019.

The Company will reevaluate a loan's credit quality between annual reviews if new property information is received or events such as delinquency or a borrower's request for restructure cause management to believe that the Company's estimate of financial performance, fair value or the risk profile of the underlying property has been impacted.

There were no mortgage loans modified during 2020 and 2019.

Mortgage loans are considered potential problems if principal or interest payments are past due by more than 30 but less than 60 days and exhibit certain characteristics that increase the likelihood of future default. The characteristics management considers include, but are not limited to, the deterioration of debt service coverage below 1.0, estimated loan-to-value ratios increasing to 100% or more, downgrade in quality rating and request from the borrower for restructuring. Problem mortgage loans, past due 60 days or more, are either in default or have been restructured as to terms, which could include concessions on interest rate, principal payment or maturity date. The Company monitors each problem and potential problem mortgage loan on an ongoing basis, and updates the loan categorization and quality rating when warranted.

There were no problem and potential problem mortgage loans at December 31, 2020 and 2019.

Impaired Commercial Mortgage Loans

Impaired loans are carried at the lower of unpaid principal balance or the fair value of the underlying real estate. In some cases when it is probable that the Company will not collect all interest due under the original agreements, the loan will be considered impaired but a related valuation reserve will not be recorded because the fair value of the underlying real estate is higher than the remaining carrying value of the loan.

As of December 31, 2020 and 2019, the Company has no impaired commercial mortgage loans.

The Company recognizes interest income on problem mortgage loans only when payment is actually received because of the risk profile of the underlying investment. If interest on non-accrual commercial mortgage loans is received in accordance with the original terms, then it will be reflected in net investment income. There were no commercial mortgage loans in non-accrual for 2020 or 2019.

C. Debt Restructuring

The Company had no recorded investment in restructured assets as of December 31, 2020 or 2019. The Company had no contractual commitments to extend credit to debtors owing receivables whose terms have been modified in a troubled debt restructuring as of December 2020 or 2019.

The Company accrues interest income on impaired loans to the extent it is deemed collectible and the loan continues to perform under its original or restructured contractual terms. Interest income on nonperforming loans is recognized on a cash basis.

D. Reverse Mortgages

Not applicable.

E. Realized Investment Gains and Losses

Net realized investment gains and losses before taxes and interest maintenance reserve include impairments in the value of investments of $15 million in 2020 and $3 million in 2019. In addition, realized investment gains and losses before taxes and interest maintenance reserve primarily from the sale of bonds, preferred stock and other long-term invested assets were $271 million in 2020 and $49 million in 2019.

F. 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.

NOTES TO FINANCIAL STATEMENTS

(2) Loan-backed and structured securities with recognized other-than-temporary impairments as of December 31, 2020 are summarized as follows:

	1	**2**		**3**
		OTTI Recognized in Loss		
(In millions)	Amortized Cost Basis Before OTTI	2a Interest	2b Non-Interest	Fair Value 1 - (2a + 2b)
OTTI recognized in 1st quarter				
a. Intent to sell	$-	$-	$-	$-
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-	-
c. Total 1st quarter	-	-	-	-
OTTI recognized in 2nd quarter				
d. Intent to sell	-	-	-	-
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	5	-	3	2
f. Total 2nd quarter	5	-	3	2
OTTI recognized in 3rd quarter				
g. Intent to sell	-	-	-	-
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-	-
i. Total 3rd quarter	-	-	-	-
OTTI recognized in 4th quarter				
j. Intent to sell	-	-	-	-
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	-	-	-	-
l. Total 4th quarter	-	-	-	-
m. Annual aggregate total		$-	$3	

(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, 2020.

(4) There were no loan-backed and structured securities with a fair value lower than amortized cost as of December 31, 2020.

a. The aggregate amount of unrealized losses was less than $1 million.

b. The aggregate related fair value of securities with unrealized losses (*in millions*):

1. Less than 12 Months	$	17
2. 12 Months or Longer	$	-

NOTES TO FINANCIAL STATEMENTS

(5) Management reviews loan-backed and structured securities with a decline in fair value from cost for impairment based on criteria that include:

- length of time and severity of decline;
- financial and specific near term prospects of the issuer;
- changes in the regulatory, economic or general market environment of the issuer's industry or geographic region; 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.

Based on this review, management believes the unrealized depreciation on loan-backed securities to be temporary and, therefore, has not impaired these amounts.

G. Restricted Assets

(1) Restricted Assets (Including Pledged):

	Gross (Admitted & Nonadmitted) Restricted							Current Year			
	Current Year									Percentage	
($ in millions)	1	2	3	4	5	6	7	8	9	10	11
Restricted Asset Category	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total from Prior Year	Increase (Decrease) (5 minus 6)	Total Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	0.00%	0.00%
b. Collateral held under security lending agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
c. Subject to repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
d. Subject to reverse repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
e. Subject to dollar repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
f. Subject to dollar reverse repurchase agreements	-	-	-	-	-	-	-	-	-	0.00%	0.00%
g. Placed under option contracts	-	-	-	-	-	-	-	-	-	0.00%	0.00%
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock	-	-	-	-	-	-	-	-	-	0.00%	0.00%
j. On deposit with states	10	-	-	-	10	10	-	-	10	0.12%	0.12%
k. On deposit with other regulatory bodies	166	-	-	-	166	190	(24)	-	166	1.89%	1.93%
l. Pledged as collateral to FHLB (including assets backing funding agreements)	-	-	-	-	-	-	-	-	-	0.00%	0.00%
m. Pledged as collateral not captured in other categories	476	-	-	-	476	1	475	-	476	5.40%	5.52%
n. Other restricted assets	-	-	-	-	-	-	-	-	-	0.00%	0.00%
o. Total Restricted Assets	$ 652	$ -	$ -	$ -	$ 652	$ 201	$ 451	$ -	$ 652	7.40%	7.56%

(a) Subset of column 1
(b) Subset of column 3
(c) Column 5 divided by Asset Page, Column 1, Line 28
(d) Column 9 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):

	Gross (Admitted & Nonadmitted) Restricted									
	Current Year								Percentage	
($ in millions)	1	2	3	4	5	6	7	8	9	10
Restricted Asset Category	Total General Account (G/A)	G/A Supporting S/A Activity (a)	Total Separate Account (S/A) Restricted Assets	S/A Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total from Prior Year	Increase (Decrease) (5 minus 6)	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
Assets held for reinsurance trust	$ 476	$ -	$ -	$ -	$ 476	$ -	$ 476	$ -	4.92%	5.36%
Aggregate Derivative Collateral - Futures	-	-	-	-		1	(1)	-	0.00%	0.00%
Total (c)	$ 476	$ -	$ -	$ -	$ 476	$ 1	$ 475	$ -	5.40%	5.50%

(a) Subset of column 1
(b) Subset of column 3
(c) Total line for Columns 1 through 7 should equal 5H(1)m Columns 1 through 7 respectively, and Total line for Columns 8 through 10 should equal 5H(1)m Columns 9 through 11, respectively.

H. Prepayment Penalty and Acceleration Fees

December 31, 2020

($ in millions)		General Account	Separate Account
(1)	Number of CUSIPs	35	-
(2)	Aggregate amount of investment income	$ 4	$ -

December 31, 2019

($ in millions)		General Account	Separate Account
(1)	Number of CUSIPs	94	-
(2)	Aggregate amount of investment income	$ 3	$ -

NOTE 4 – JOINT VENTURES, PARTNERSHIPS AND LIMITED LIABILITY COMPANIES

A. The Company has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets as of December 31, 2020 and 2019.

B. The Company did not recognize any impairment write-downs for the years ended December 31, 2020 and 2019.

NOTE 5 – DERIVATIVE INSTRUMENTS

A. Derivatives under *SSAP No. 86 - Derivatives*

(1) The Company's strategy is to manage the characteristics of investment assets (such as duration, yield, currency and liquidity) to meet the varying demands of the related policy and contract liabilities (such as paying claims, investment returns and withdrawals). As part of this investment strategy, the Company typically uses derivative financial instruments to reduce interest rate and foreign currency risks. The Company routinely monitors exposure to credit risk associated with derivatives and diversifies the portfolio among approved dealers of high credit quality to minimize this risk. The loss that the Company would incur if all dealers completely failed to perform under derivative contracts totals the fair values owed by dealers of $0 at both December 31, 2020 and 2019. The Company has entered arrangements (Credit Support Annexes to ISDA Master Agreements) requiring the posting of collateral for credit risk management purposes with many of its over the counter (OTC) derivatives counterparties. This collateral backs OTC derivative transactions (interest rate and foreign currency swaps hedging fixed income securities). The fair value of collateral posted by the Company was $0 at December 31, 2020 and 2019.

In order to qualify for hedge accounting, a derivative must be designated as a hedge of a specific asset, liability, anticipated transaction, or a portfolio of specific assets or specific liabilities. The item to be hedged must expose the reporting entity to a risk and the designated derivative transaction must be highly effective in reducing that exposure. Conditions that expose the reporting entity to risk include changes in fair value, yield, price, cash flows and foreign exchange rates. Under hedge accounting, the derivative is accounted for in a manner consistent with the hedged item.

At December 31, 2020 and 2019, the Company's derivative contracts were as follows:

(In millions)

Derivatives	Notional Amount		Book/ Adjusted Carrying Value		Fair Value	
	2020	2019	2020	2019	2020	2019
Swaps	$ -	$ 17	$ -	$ -	$ -	$ -
Total	$ -	$ 17	$ -	$ -	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

(2) The following table presents information about the nature and accounting treatment of the Company’s derivative financial instruments. Additional information on the Company’s accounting policy for derivative financial instruments can be found in Note 1 C (3) of these financial statements. Also, additional information relating to the fair values of these derivative financial instruments can be found in Note 15 of these financial statements.

(In millions)

Instrument	Notional Amount 2020	Notional Amount 2019	Risk	Purpose	Cash Flows	Accounting Policy
Foreign Currency Swaps	$ -	$ 17	Foreign Currency Risk	To hedge the foreign exchange related changes in fair value of the Company's Euro-denominated bonds.	The Company periodically exchanges cash flows between U.S. dollars and Euros for both principal and interest payments.	Using fair value hedge accounting, swaps are reported at amortized cost. Changes in value due to fluctuations in foreign currency exchange rates are recorded in other invested assets or other liabilities, and unrealized gains and losses. Net interest cash flows are reported in net investment income and cash from operations.

(3) The Company’s accounting for the above derivatives follows SSAP No. 86, *Accounting for Derivative Instruments and Hedging, Income Generation, and Replication (Synthetic Asset) Transactions*. Derivatives that use hedge accounting are part of highly effective hedge programs, and as such the accounting follows that of the respective hedged item.

(4) Derivative contracts with financing premiums – Not applicable

(5) The net unrealized gains or losses during the reporting periods representing the component of the derivative instrument’s gain or loss, if any, excluded from the assessment of hedge effectiveness. – Not applicable.

(6) The net unrealized gains or losses during the reporting periods resulting from derivatives that no longer qualify for hedge accounting. – Not applicable.

(7) Derivatives accounted for as cash flow hedges of a forecasted transaction. – Not applicable.

(8) The aggregate, non-discounted total premium cost and the aggregate fair value of derivatives with financing premiums. – Not applicable.

B. Derivatives under *SSAP No. 108—Derivative Hedging Variable Annuity Guarantees* (Life/Fraternal Only)

(1) Hedged item/hedging instruments and hedging strategy – Not applicable.

(2) Recognition of gains/losses and deferred assets and liabilities – Not applicable.

(3) Hedging strategies identified as no longer highly effective – Not applicable.

(4) Hedging strategies terminated – Not applicable.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – INCOME TAXES

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

(1)

(In millions)	2020			2019		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
(a) Gross deferred tax assets	$ 885	$ -	$ 885	$ 167	$ 9	$ 176
(b) Statutory Valuation allowance adjustment	-	-	-	(6)	-	(6)
(c) Adjusted gross deferred tax assets (1a - 1b)	885	-	885	161	9	170
(d) Non-admitted deferred tax assets	(637)	-	(637)	-	-	-
(e) Subtotal Net Admitted deferred tax assets (1c - 1d)	248	-	248	161	9	170
(f) Deferred tax liabilities	(3)	-	(3)	(72)	(15)	(87)
(g) Net admitted deferred tax assets (1e - 1f)	$ 245	$ -	$ 245	$ 89	$ (6)	$ 83

(1)

(In millions)	Change		
	Ordinary	**Capital**	**Total**
(a) Gross deferred tax assets	$ 718	$ (9)	$ 709
(b) Statutory Valuation allowance adjustment	6	-	6
(c) Adjusted gross deferred tax assets (1a - 1b)	724	(9)	715
(d) Non-admitted deferred tax assets	(637)	-	(637)
(e) Subtotal Net Admitted deferred tax assets (1c - 1d)	87	(9)	78
(f) Deferred tax liabilities	69	15	84
(g) Net admitted deferred tax assets (1e - 1f)	$ 156	$ 6	$ 162

(2) Admission calculation under 11.a.-11.c

(In millions)	2020			2019		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
(a) Admitted pursuant to 11.a. (loss carrybacks)	$ -	$ -	$ -	$ 74	$ 5	$ 79
(b) Admitted pursuant to 11.b. (realization)	245	-	245	16	-	16
1. Realization per 11.b.i.	245	-	245	16	-	16
2. Limitation per 11.b.ii.	N/A	N/A	253	N/A	N/A	333
(c) Admitted pursuant to 11.c.	3	-	3	71	4	75
Total admitted adjusted gross deferred tax assets (2a+2b+2c)	$ 248	$ -	$ 248	$ 161	$ 9	$ 170

(2) Admission calculation under 11.a.-11.c

(In millions)	Change		
	Ordinary	**Capital**	**Total**
(a) Admitted pursuant to 11.a. (loss carrybacks)	$ (74)	$ (5)	$ (79)
(b) Admitted pursuant to 11.b. (realization)	229	-	229
1. Realization per 11.b.i.	229	-	229
2. Limitation per 11.b.ii.	N/A	N/A	(80)
(c) Admitted pursuant to 11.c.	(68)	(4)	(72)
Total admitted adjusted gross deferred tax assets (2a+2b+2c)	$ 87	$ (9)	$ 78

(3) Used in 11.b.

(Dollars in millions)	**2020 Percentage**	**2019 Percentage**
(a) Applicable ratio for realization limitation threshold	1,111.07%	594.54%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold	$1,686	$2,219

(4) Impact of Tax Planning Strategies (TPS) on adjusted gross DTAs and net admitted DTAs

	2020			2019		
	Ordinary	**Capital**	**Total**	**Ordinary**	**Capital**	**Total**
(a) Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(b) Net admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0.00%	0.00%	0.00%	0.00%	-110.19%	7.86%
(c) Do TPS include a reinsurance strategy?			N/A			NO

(4)

	Change		
	Ordinary	**Capital**	**Total**
Adjusted Gross DTAs (% of Total Adjusted Gross DTAs)	0.00%	0.00%	0.00%
Net admitted Adjusted Gross DTAs (% of Total Net Admitted Adjusted Gross DTAs)	0.00%	110.19%	-7.86%
Do TPS include a reinsurance strategy?			NO

B. Temporary difference for which a deferred tax liability has not been established:

The Company had no unrecognized deferred tax liabilities as of December 31, 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS

C. Significant components of income taxes incurred and the changes in deferred tax assets and deferred tax liabilities were as follows:

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

(In millions)	2020	2019	Change
(a) Current federal income tax expense	$ 37	$ 85	$ (48)
(b) Foreign income tax expense	91	5	86
(c) Subtotal	128	90	38
(d) Tax expense on realized capital gains	8	13	(5)
Federal and foreign income taxes incurred	$ 136	$ 103	$ 33

(In millions)	2020	2019	Change
Other insurance & contract holder liabilities	$ 100	$ 71	$ 29
Employee and retiree benefit plans	6	9	(3)
Deferred acquisition costs	-	35	(35)
Non-admitted assets	38	35	3
Foreign Tax Credit	-	6	(6)
Investment, net	138	9	129
Other	6	11	(5)
Goodwill and intangibles	597	-	597
Gross deferred tax assets	885	176	709
Statutory valuation adjustment	-	(6)	6
Non-admitted deferred tax assets	(637)	-	(637)
Admitted deferred tax assets	$ 248	$ 170	$ 78

(3) Deferred Tax Liabilities Resulting From Book/Tax Differences In:

(In millions)	2020	2019	Change
Employee and retiree benefit plans	$ -	$ 42	$ (42)
Investment, net	3	21	(18)
Depreciation and amortization	-	19	(19)
Withholding Tax DTL	-	2	(2)
Guaranty fund receivable	-	3	(3)
Deferred tax liabilities	$ 3	$ 87	$ (84)

	2020	2019	Change
(4) Net Deferred Tax Assets	$ 245	$ 83	$ 162

Deferred income tax (expense)/benefit on change in net unrealized capital gains	$ 8
Increase in net deferred tax related to other items	791
Increase in deferred tax asset non admitted	(637)
Total change in net deferred tax asset	$ 162

Pursuant to the acquisition of the Company on December 31, 2020 by New York Life, the Company elected to step up the tax basis of its assets under Internal Revenue Code §338(h)(10). This resulted in following changes in deferred taxes on the acquisition date (in millions):

Investments	$	144
Policyholder reserves		35
DAC		(37)
Fixed assets		18
Goodwill and intangible assets		589
Other		18
Increase in net deferred tax		767
Decrease in deferred tax asset non admitted		(597)
Total change in net deferred tax assets	$	170

(5) The Company had no investment tax credits for the years ended December 31, 2020 and 2019, respectively.

(6) The Company does not have operating loss carry-forwards at December 31, 2020.

(7) The Company had no adjustments to gross deferred tax asset because of changes in circumstances that causes a change in judgment about the realizability of the related deferred tax asset.

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

The Company's income tax expense and change in deferred tax assets/deferred tax liabilities at December 31, 2020 and 2019 differs from the amount obtained by applying the statutory rate of 21% to net gain from operations after dividends to policyholders and before federal income taxes for the following reasons:

(In millions)		**December 31, 2020**		**December 31, 2019**		**Change**
Net gain from operations after dividends to policyholders and before federal income taxes @ statutory rate	$	65	$	90	$	(25)
Investment items		(41)		(5)		(36)
Change in non-admitted assets		(3)		(2)		(1)
Global Intangible Low Tax Income		-		(8)		9
IMR		3		2		1
Valuation Allowance		(6)		6		(12)
Foreign Tax Expense Net of Foreign Tax Credit		95		7		88
Subsidiary Dividend		(4)		(3)		(1)
§338(h)(10) tax basis step up		(767)		-		(767)
Other, net		3		2		1
Total	$	(655)	$	89	$	(744)
Federal income taxes incurred	$	136	$	103	$	33
Change in net deferred income taxes		(791)		(14)		(777)
Total statutory income taxes	$	(655)	$	89	$	(744)

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

(1) The Company did not have any operating loss and tax credit carry forwards available for tax purposes.

(2) The Company has no income taxes incurred in current and prior years that will be available for recoupment in the event of future net losses.

(3) At December 31, 2020, the Company had no protective tax deposits on deposit with the Internal Revenue Service under Section 6603 of the Internal Revenue Service Code.

(4) On March 27, 2020, the Coronavirus Aid, Relief, and Economics Security Act (the "CARES Act") was enacted into law. Enactment of the CARES Act did not have a financial impact on the Company.

F. Consolidated Federal Income Tax Return

As discussed in Note 1 – Significant Accounting Policies - Federal Income Taxes, as of January 1, 2021, the Company’s federal income tax return is consolidated with New York Life, New York Life Insurance and Annuity Corporation, NYLIFE Insurance Company of Arizona, NYLIFE LLC, New York Life Enterprises LLC, New York Life Investment Management Holdings LLCs, NYL Investors LLC, NYLGICNY, and LINA Benefit Payments, Inc.

NOTES TO FINANCIAL STATEMENTS

For the tax years 2020 and prior, Cigna and its following subsidiaries:

Accredo Health Group, Inc.
Accredo Health, Inc.
AHG of New York, Inc.
Allegiance Benefit Plan Management Inc
Allegiance Cobra Services Inc
Allegiance Life & Health Insurance Co
Allegiance Re Inc
American Retirement Life Insurance Company
Arizona Healthplan Inc
Benefit Management Corp
BioPartners In Care, Inc.
Bravo Health Mid-Atlantic, Inc.
Bravo Health Pennsylvania, Inc.
Brighter, Inc.
Care Continuum, Inc.
CareAllies, Inc.
CG Individual Tax Benefit Payments Inc
CG Life Pension Benefit Payments Inc
CG LINA Pension Benefit Payments Inc
Chiro Alliance Corporation
Cigna Arbor Life Insurance Company
Cigna Behavioral Health Inc
Cigna Behavioral Health of California Inc
Cigna Behavioral Health of Texas
Cigna Benefit Technology Solutions, 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 North Carolina Inc
Cigna Healthcare of Pennsylvania Inc
Cigna Healthcare of South Carolina
Cigna Healthcare of St Louis Inc
Cigna Healthcare of Tennessee Inc
Cigna Healthcare of Texas Inc
Cigna Healthcare of Utah Inc
Cigna Holding Company
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 National Health Insurance Company
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
Curascript, Inc.
Diversified NY IPA, Inc.
Diversified Pharmaceutical Services, Inc.
ESI GP Holdings, Inc.
ESI Mail Order Processing, Inc.
ESI Mail Pharmacy Service, Inc.
Evernorth Enterprise Services, Inc.
Evernorth Health, Inc.
Evernorth Sales Operations, Inc.
Evernorth Strategic Development, Inc.
eviCore 1, LLC
Express Reinsurance Company
Express Scripts Administrators, LLC
Express Scripts Canada Holding Company
Express Scripts Health Information Network Partners, Inc.
Express Scripts Pharmaceutical Procurement, LLC
Express Scripts Pharmacy, Inc.
Express Scripts Sales Operations, Inc.
Express Scripts Senior Care Holdings, Inc.
Express Scripts Senior Care, Inc.
Express Scripts Services Company, Inc.
Express Scripts Specialty Distribution Services, Inc.
Express Scripts Strategic Development, Inc.
Express Scripts Utilization Management, Inc.
Express Scripts, Inc.
Former Cigna Investments Inc
Freco, Inc.
GreatWest Healthcare of Illinois Inc
Hazard Center Investment Co LLC
Healthbridge Reimbursement & Product Support, Inc.
Healthbridge, Inc.
Healthsource Benefits Inc
Healthsource Inc
Healthsource Properties Inc
Healthspring Life & Health Insurance Company
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
Loyal American Life Insurance Company
Lynnfield Compounding Center, Inc.
Lynnfield Drug, Inc.
MAH Pharmacy, LLC
Managed Care Consultants Inc
Matrix Healthcare Services, Inc.
MCC Independent Practice Assoc of New York Inc
Medco Containment Insurance Company of New York
Medco Containment Life Insurance Company
Medco Health Information Network Partners, Inc.
Medco Health Puerto Rico, LLC
Medco Health Services, Inc.
Medco Health Solutions, Inc.
Mediversal Inc
Medsolutions Holdings, Inc.
Medsolutions of Texas, Inc.
Priority Healthcare Corporation
Priority Healthcare Distribution, Inc.
Provident American Life and Health Insurance Company
QUALCARE ALLIANCE NETWORKS, INC.
QUALCARE, INC.
Sagamore Health Network Inc
SCIBAL ASSOCIATES, INC.
Spectracare Health Care Ventures, Inc.
SpectraCare, Inc.
Tel-Drug Inc
United Benefit Life Insurance Company
Universal Claims Administration
Verity Solutions Group, Inc.

NOTES TO FINANCIAL STATEMENTS

The statute of limitations for Cigna's consolidated income tax returns through 2016 have closed. Cigna has filed amended consolidated tax returns for various years and the pending refunds are subject to Internal Revenue Service (IRS) review. Cigna is currently under examination for 2015 and 2017.

G. Federal or Foreign Income Tax Loss Contingencies

The Company does not anticipate any significant changes to its total unrecognized tax benefits within the next 12 months.

H. Repatriation Transition Tax

The Company does not have repatriation transition tax owed under Tax Cuts and Jobs Act.

I. Alternative Minimum Tax (AMT) Credit

The Company does not have an AMT credit that was recognized as a current year recoverable or DTA.

NOTE 7 – INFORMATION CONCERNING PARENT, SUBSIDIARIES, AFFILIATES AND OTHER RELATED PARTIES

A. The Company became a directly owned subsidiary of New York Life at December 31, 2020.

B. Except for those insurance transactions reported under Part E of this footnote, insurance contracts that were issued by the Company in the ordinary course of its business are not reported in this footnote. See Part E of this footnote for disclosure of material transactions.

C. Transactions with Related Parties Not Reported on Schedule Y

The following significant agreements were in place with Cigna prior to the Company's acquisition by New York Life. These agreements were terminated during 2020 (amounts shown in millions):

NOTES TO FINANCIAL STATEMENTS

1) Detail of Material Related Party Transactions

Ref #	Date of Transaction	Name of Related Party	Nature of Relationship	Type of Transaction	Written Agreement (Yes/No)	Due Date	Reporting Period Date Amount Due From (To)
1	Various	Cigna	Prior to December 31, 2020, the Company was indirectly owned by Cigna.	The Company was the lender in a line of credit agreement with Cigna under which the maximum amount that may be loaned was the lesser of 3% of admitted assets or 25% of surplus, up to $300 million.	Yes	N/A	$-

2) Detail of Material Related Party Transactions Involving Services

Ref #	Name of Related Party	Overview Description	Amount Charged	Amount Based on Allocation of Costs or Market Rates	Amount Charged Modified or Waived (Yes/No)
1	Cigna Investments, Inc.	Investment advisory services.	$11	$11	No
2	Cigna	Operating expenses incurred by Cigna at the corporate level are allocated to its subsidiaries.	49	49	No
3	Connecticut General Life Insurance Company ("CGLIC")	Expense sharing agreement for certain shared services.	-	-	No
4	CGLIC	Deposit administration services for certain life, disability, and accidental death and dismemberment payments. CGLIC established Retained Asset Accounts (RAA) on behalf of the claimants.	-	-	No
5	CGLIC	Claims administrative agreement for life, accident, and disability claims issued or assumed by CGLIC.	-	-	No
6	CGLIC, CHLIC	Premium billing and collections on behalf of CGLIC and CHLIC.	-	-	No
7	Cigna	Consolidated federal tax agreement which set forth the method of allocation of Cigna's federal income taxes to its wholly-owned domestic subsidiaries, including the Company.	-	-	No
8	CGLIC	Group Life Insurance Quota Share Reinsurance Contract, primarily covering group universal policies. See Note 21 for disclosure of the new reinsurance agreement.	-	-	No
		Total	$60	$60	

NOTES TO FINANCIAL STATEMENTS

3) Detail of Material Related Party Transactions Involving Exchange of Assets and Liabilities

a) Description of Transaction

Ref #	Name of Related Party	Overview Description	Have Terms Changed from Preceding Period? (Yes/No)
1	CHLIC	During the third quarter of 2020, the Company sold and purchased assets from CHLIC.	No
2	CGLIC	During the third quarter of 2020, the Company sold and purchased assets from CGLIC.	No
3	Connecticut General Life Insurance Company Separate Accounts (“CGLIC-SA”)	During the third quarter of 2020, the Company sold and purchased assets from CGLIC-SA.	No

b) Assets Received

Ref #	Name of Related Party	Description of Assets Received	Statement Value of Assets Received
1	CHLIC	Bonds and Mortgage Loans	$1,582
2	CGLIC	Bonds and Mortgage Loans	164
3	CGLIC-SA	Mortgage Loans	79
		Total	$1,825

c) Assets Transferred

Ref #	Name of Related Party	Description of Assets Transferred	Statement Value of Assets Transferred
1	CHLIC	Bonds, Mortgage Loans and Other Long-term Invested Assets	$2,136
2	CGLIC	Mortgage Loans	79
3	CGLIC-SA	Mortgage Loans	76
Total			$2,291

NOTES TO FINANCIAL STATEMENTS

4) Detail of Amounts Owed To/From a Related Party

Ref #	Name of Related Party	Aggregate Reporting Period Amount Due From	Aggregate Reporting Period (Amount Due To)	Amount Offset in Financial Statement (if qualifying)	Net Amount recoverable / (Payable) by Related Party	Admitted Recoverable
1	CHLIC	$1	$21	$-	$-	$-
2	CGLIC	-	4	-	-	-
3	Cigna Behavioral Health, Inc.	-	1	-	-	-
Total		$1	$26	$-	$-	$-

D. Please refer to receivables from, and payables to, parent, subsidiaries and affiliates on the Company's financial statements. Cash settlements are processed according to the terms of the agreement, generally within 30 days of the balance sheet date.

E. The following agreements existed between the Company and its affiliate:

(1) The Company is party to service arrangements under which the Company provides claim administration services to NYLGICNY. NYLGICNY paid the Company $5.8 million in both 2020 and 2019 for such services.

(2) The Company is party to service arrangements under which the Company provides certain services to NYLGICY relative to its group insurance business, including premium collections, commission payments, policy issuance, pricing, personnel support and marketing support. Costs are allocated pro rata on the basis of transaction counts, estimated time spent, and relative premium volume. NYLGICNY paid the Company $4.9 million in 2020 and $6.9 million in 2019 for such services. The Company paid NYLGICNY an immaterial amount in 2020 for similar services NYLGICNY provided the Company. There were no fees charged to the Company in 2019.

(3) NYLGICNY and the Company are parties to an agreement providing for sharing of staffing costs related to underwriting and contract development. The Company paid NYLGICNY $0.1 million in both 2020 and 2019. NYLGICNY paid the Company $0.7 million in 2020 and $0.9 million in 2019 for such services.

(4) The Company is party to service arrangements under which the sales offices of NYLGICNY provide sales-related services to the Company. In addition, the Company's sales offices provide certain sales-related functions for NYLGICNY outside of New York. The Company paid NYLGICNY $1.8 million in 2020 and $1.6 million in 2019 for such services. NYLGICNY paid the Company $0.9 million in 2020 and $1.4 million in 2019 for such services.

The following significant agreements were entered into with New York Life and its subsidiaries at December 31, 2020:

(1) The Company, as borrower, entered into a credit agreement with New York Life, as lender, for a maximum aggregate amount of $100 million. At December 31, 2020, the Company did not have any loans outstanding.

(2) The Company has entered into an agreement with NYL Investors LLC, a direct wholly owned subsidiary of New York Life, where NYL Investors LLC will act as investment manager for a portion of the Company's portfolio assets.

(3) The Company has entered into an agreement with Mackay Shields LLC, an indirect wholly owned subsidiary of New York Life, where Mackay Shields LLC will act as investment manager for a portion of the Company's portfolio assets.

(4) New York Life provides the Company with certain services and facilities. New York Life charges the Company for the identified costs associated with these services and facilities under the terms of a service agreement between New York Life and the Company.

(5) The Company has entered into an agreement with LINA Benefits Inc., a direct wholly-owned subsidiary of the Company, where LINA Benefits Inc. provides services in connection with the payment and tax administration of group disability insurance benefits.

(6) New York Life and the Company provides LINA Benefits, Inc. with certain services and facilities. New York Life charges the Company for the identified costs associated with these services and facilities under the terms of a service agreement between LINA Benefits, Inc., New York Life and the Company.

F. There are no guarantees or undertakings, written or otherwise, for the benefit of an affiliate or related party that result in a material contingent exposure of the Company's or any related party's assets or liabilities.

G. See Part A of this footnote.

H. No such shares of any parent company are owned by any subsidiary company.

I. The Company did not own any investments in subsidiaries or affiliates that exceeded 10% of admitted assets, other than disclosed on Schedule Y, Part 1.

J. Subsidiary, controlled and affiliated entities disclosure of impairment write-down:

The Company did not recognize any impairment write-down for its investment in Subsidiary, Controlled or Affiliated entities during 2020 and 2019.

K. Investment in foreign insurance subsidiary:

Prior to December 3, 2020 the Company had an investment in the China JV, a foreign insurance company based in China. The investment was calculated by adjusting annuity GAAP account value reserves using CARVM and the related Actuarial Guidelines. The following were the key assumptions used in the calculation as prescribed by the China Banking and Insurance Regulatory Commissions (CBIRC):

- Mortality assumption: The Company used the China Life Insurance Mortality Tables CL 5 (2010-2013): Annuity table (Male) and CL 6 (2010-2013): Annuity table (Female) published in 2016 by the China Association of Actuaries to value its benefit obligations because the Company’s mortality experience is currently not sufficiently credible.

- Interest rate assumption: The Company set the valuation discount rates as the lower of i) the evaluation interest rate set by the CBIRC, and ii) the pricing interest rate used by the Company to determine the premium. The pricing interest rate was set with prudence, taking into account the Company’s historical investment return, reasonable expectation of future return, as well as the product characteristics.

L. Downstream noninsurance holding companies

Not applicable

M. All SCA Investments

The Company has an investment in SCA entity - LINA Benefits, Inc.

N. Investment in Insurance SCAs

The Company does not have an investment in an insurance SCA for which the audited statutory equity reflects a departure from the NAIC statutory accounting practices and procedures.

O. SCA and SSAP No. 48 Entity Loss Tracking

Not applicable.

NOTE 8 – DEBT

Capital Notes and All Other Debt

The Company had no capital notes outstanding at December 31, 2020 and 2019. The Company had no external borrowed money outstanding at December 31, 2020 and 2019. Effective March 1, 2009, the Company entered into a Line of Credit Agreement with Cigna Holdings, Inc., in the amount of $150 million. Following Department approval on April 29, 2013, this agreement and the associated note was amended effective April 29, 2013, to increase the Line of Credit under which the maximum amount the Company can borrow is the lesser of 3% of admitted assets or 25% of surplus, up to $300 million. The Line of Credit Agreement with Cigna Holdings, Inc., was terminated effective December 18, 2020, as a result of the Company being acquired by New York Life. As of December 31, 2020 and 2019, the Company had no outstanding borrowings against the line of credit. The interest rate on amounts borrowed during 2020 was an average yearly rate of 0.98%. No interest was incurred for the year ended December 31, 2020. Less than $1 thousand in interest was incurred for the year ended December 31, 2019.

NOTE 9 – RETIREMENT PLANS, DEFERRED COMPENSATION, POSTEMPLOYMENT BENEFITS AND COMPENSATED ABSENCES AND OTHER POSTRETIREMENT BENEFIT PLANS

Prior to its acquisition by New York Life, the Company provided certain post-retirement, post-employment and compensated absence benefits through a plan sponsored by Cigna. The Company also participated in a capital accumulation 401(k) plan sponsored by Cigna in that employee contributions on a before-tax basis were supplemented by the Company's matching contributions. The Company had no legal obligation for benefits under these plans. Cigna allocated amounts to the Company based on salary ratios and member months. The Company’s share of net expense for such benefits was $17.7 million in 2020 and $15.3 million in 2019.

Cigna froze its primary domestic defined benefit pension plans effective July 1, 2009. As a result, pension expense was no longer allocated to the Company.

NOTE 10 – CAPITAL AND SURPLUS, DIVIDEND RESTRICTIONS AND QUASI-REORGANIZATIONS

(A) The Company has 30,000 shares authorized, and approximately 25,000 shares issued and outstanding as of December 31, 2020 and 2019 with a par value of $100.00. There are no other classes of capital stock.

(B) The Company has no preferred stock outstanding as of December 31, 2020 and 2019.

(C) Dividends on Company stock are paid as declared by its Board of Directors. The Company’s dividends are noncumulative. The Commonwealth of Pennsylvania insurance laws require prior approval for payment of an extraordinary dividend which is defined as one whose fair market value, together with any other dividends or distributions made within the preceding twelve months, exceeds the greater of 10% of the prior year’s surplus or net income from the prior year.

The maximum dividend that may be made without prior approval in 2021 is $299 million. Any dividends paid in the twelve months preceding a proposed dividend are considered in determining whether a dividend is extraordinary. In 2020, the maximum dividend that could have been made without prior approval was $330 million.

(D) There were $662 million and $200 million noncumulative common dividends paid during the years ended December 31, 2020 and 2019, respectively. The dividends in the 4th quarter represent the funding for the China JV. Prior approval of the Insurance Commissioner was obtained for dividends deemed extraordinary.

(In millions)		**Dividend Amount**	**Date**	**Ordinary or Extraordinary Dividend**
1st Quarter 2020	$	100	1/28/2020	Ordinary
2nd Quarter 2020		175	5/7/2020	Extraordinary
3rd Quarter 2020		-		
4th Quarter 2020		387	12/7/2020	Extraordinary
Total	$	662		

(E) Within the limitations of (C) above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to shareholders.

(F) There were no restrictions placed on the Company’s surplus, including for whom the surplus is being held.

(G) There have been no advances to surplus.

(H) The Company does not hold any stock for special purposes.

(I) The Company does not hold any special surplus funds.

(J) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains (losses) was $(8.5) million and $195.8 million for the years ended December 31, 2020 and 2019, respectively.

NOTE 11 – LIABILITIES, CONTINGENCIES, AND ASSESSMENTS

A. Contingent Commitments

As of December 31, 2020, the Company had no commitments.

B. Assessments

The Company operates in a regulatory environment that may require its participation in assessments under state insurance guaranty association laws. The Company’s exposure to assessments for certain obligations of insolvent insurance companies to policyholders and claimants is based on its share of business written in the relevant jurisdictions. The Company recorded guaranty fund receivables of $11.0 million as of December 31, 2020 and $11.7 million as of December 31, 2019. The Company recorded guaranty fund liabilities of $6.5 million as of December 31, 2020 and $7.3 million as of December 31, 2019.

Penn Treaty. On March 1, 2017, the Commonwealth Court of Pennsylvania entered an order of liquidation of Penn Treaty Network America Insurance Company, together with its subsidiary American Network Insurance Company (collectively “Penn Treaty”, a long-term care insurance carrier), triggering guaranty fund coverage and accrual of a liability. For the year ended December 31, 2020, the Company recorded in operating expenses approximately $27 thousand pre-tax (approximately $21 thousand after-tax), representing its estimate of the total assessments, net of premium tax offsets for insurance contracts currently written. Some of the assessments were recorded on a discounted basis, using a weighted average discount rate of 3.5%. As of December 31, 2020, the recorded liability was approximately $5.6 million. This assessment is expected to be updated in future periods for changes in the estimate of the insolvency. In addition, a portion of this assessment is expected to be offset in the future by premium tax credits that will be recognized in the period received.

Undiscounted and discounted amount of the guaranty fund liabilities and assets as of December 31. 2020:

(In millions)	Liability	Asset
Undiscounted	$9.7	$12.7
Discounted	$5.6	$10.2

Jurisdictional assessments expected to be paid within one year are accrued at the amount billed or expected to be billed. Other assessments were discounted.

	Payables			Recoverables		
Name of the Insolvency	Number of Jurisdictions	Range of Years	Weighted Average Number of Years	Number of Jurisdictions	Range of Years	Weighted Average Number of Years
Penn Treaty Network America Insurance Company	7	1-57	12	42	1-45	8

C. All Other Contingencies

Litigation and Other Legal Matters

The Company and/or its subsidiaries are defendants in individual and/or alleged class action suits arising from their agency sales force, insurance (including variable contracts registered under the federal securities law), investment, retail securities, employment and/or other operations, including actions involving retail sales practices. Some of the actions seek substantial or unspecified compensatory and punitive damages. The Company and/or its subsidiaries are also from time to time involved in various governmental, administrative, and investigative proceedings and inquiries. Notwithstanding the uncertain nature of litigation and regulatory inquiries, the outcome of which cannot be predicted, the Company believes that, after provisions made in the financial statements, the ultimate liability that could result from litigation and proceedings would not have a material adverse effect on the Company's financial position; however, it is possible that settlements or adverse determinations in one or more actions or other proceedings in the future could have a material adverse effect on the Company's operating results for a given year. Several commercial banks have customary security interests in certain assets of the Company to secure potential overdrafts and other liabilities of the Company that may arise under custody, securities lending and other banking agreements with such banks. Based upon Company experience, the amount of premiums and other accounts receivable that may become uncollectible and result in a potential loss is not material to the Company's financial condition.

NOTE 12 – LEASES

A. Lessee Leasing Arrangements

(1) Rental expenses for operating leases principally for office space amounted to $0.9 million in 2020 and $0.4 million in 2019.

(2) At December 31, 2020, the aggregate future minimum rental payments under leases having initial or remaining non-cancelable lease terms in excess of one year for each year are as follows: $10.3 million in 2021, $8.6 million in 2022 and 2023, $8.0 million in 2024, $3.3 million in 2025, and $6.0 million in the years thereafter.

(3) The Company is not involved in any material sale-leaseback transactions.

B. Lessor Leases

The Company is not the lessor in any material operating or leveraged lease transactions.

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – GAIN OR LOSS TO THE REPORTING ENTITY FROM UNINSURED PLANS AND THE UNINSURED PORTION OF PARTIALLY INSURED PLANS

A. ASO Plans

Information with regard to the profitability of Administrative Services Only (ASO) uninsured accident and health plans and the uninsured portion of partially insured plans was as follows for the years ended December 31:

2020 *(In millions)*	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
Net reimbursement for administrative expenses (including administrative fees) in excess/(loss) of actual expenses	$ 5	$ -	$ 5
Total net other income or expenses (including interest paid to or received from plans)	-	-	-
Net gain or (loss) from operations	$ 5	$ -	$ 5
Total claim payment volume	-	-	-

2019 *(In millions)*	ASO Uninsured Plans	Uninsured Portion of Partially Insured Plans	Total ASO
Net reimbursement for administrative expenses (including administrative fees) in excess/(loss) of actual expenses	$ -	$ -	$ -
Total net other income or expenses (including interest paid to or received from plans)	-	-	-
Net gain or (loss) from operations	$ -	$ -	$ -
Total claim payment volume	-	-	-

B. ASC Plans

Not applicable.

C. Medicare or Similarly Structured Cost Based Reimbursement Contract

Not applicable.

NOTE 14 – DIRECT PREMIUM WRITTEN/PRODUCED BY MANAGING GENERAL AGENTS/THIRD PARTY ADMINISTRATORS

Name and Address of Managing General Agent or Third Party Administration	FEIN Number	Exclusive Contract	Type of Business Written	Types of Authority Granted *	Total Direct Premium Written/ Produced By *(In millions)*
2020					
Various	Various	No	Life, Accident & Health	P, C	$ 2
2019					
Various	Various	No	Life, Accident & Health	P, C	$ 4

* C - Claims Payment	R - Reinsurance Ceding	P - Premium Collection
CA - Claims Adjustment	B - Binding Authority	U - Underwriting

NOTE 15 – FAIR VALUE MEASUREMENTS

A. Fair Value Measurements

Fair value is defined as the price at which an asset could be exchanged in an orderly transaction between market participants at the balance sheet date. The Company's financial assets and liabilities carried at fair value 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. Assets in Level 1 include exchange-listed equity securities. Separate account Level 1 assets primarily include actively-traded institutional and retail mutual fund investments in separate accounts priced using the daily net asset value which is the exit price.

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 include actively-traded U.S. government bonds, most private and corporate debt and equity securities, federal agency and municipal bonds, non-government mortgage backed securities, preferred stocks, unaffiliated common stocks, short term investments, cash equivalents, contract loans, and other derivative assets. Separate account Level 2 assets primarily include actively-traded institutional and retail mutual fund investments in separate accounts priced using the daily net asset value which is the exit price and short-term investments.

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 at the reporting date. Level 3 assets primarily include mortgage loans and certain newly issued, privately-placed, complex or illiquid securities using significant unobservable inputs.

SSAP 100 allow the use of net asset value (NAV) as a practical expedient to fair value for investments in investment companies where there is no readily determinable fair value. There were no such investments owned by the Company for either period presented.

1. **Fair Value Measurements at Reporting Date**

The Company carries certain financial instruments at fair value in the financial statements including unaffiliated common stocks, bonds, and preferred stocks valued at the lower of cost or fair value when reported at fair value at the balance sheet date and the assets of the separate accounts.

The following tables provide information about the Company's financial assets carried at fair value as of December 31, 2020 and 2019. Fair values and changes in fair values of separate account assets accrue directly to the policyholders and are not included in the Company's revenues, expenses or surplus.

December 31, 2020

(In millions)	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
Separate account assets	$ 16	$ -	$ -	$ -	$ 16
Total assets at fair value	$ 16	$ -	$ -	$ -	$ 16

December 31, 2019

(In millions)	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
Preferred stock	$ -	$ -	$ 8	$ -	$ 8
Common stock	3	-	14	-	17
Subtotal assets at fair value, excluding separate accounts	3	-	22	-	25
Separate account assets	512	30	-	-	542
Total assets at fair value	$ 515	$ 30	$ 22	$ -	$ 567

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 years ended December 31, 2020 and 2019.

For the Year Ended December 31, 2020

(In millions)	Beginning Balance at 1/1/20	Transfers into Level 3	Transfers out of Level 3	Total gains (losses) included in Net Income (1)	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/20
Bonds and Common Stock	$ 23	$ -	$ -	$ -	$ -	$ -	$ -	$ (23)	$ -	$ -

(1) There were no bond and common stock gains (losses) included in net income attributable to instruments held at the reporting date

For the Year Ended December 31, 2019

(In millions)	Beginning Balance at 1/1/19	Transfers into Level 3	Transfers out of Level 3	Total gains (losses) included in Net Income (1)	Total gains and (losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/19
Bonds and Common Stock	$ 18	$ 3	$ -	$ 1	$ -	$ 3	$ -	$ (2)	$ -	$ 23

(1) Bonds and common stock gains (losses) included in net income attributable to instruments held at the reporting date were losses of $1 million

Changes in the value of bonds and common stock included in net income are reflected in net investment income and realized capital gains (losses), and unrealized gains (losses) are included in surplus.

3. **Level 3 Transfers**

Reclassifications impacting Level 3 financial instruments are reported as transfers in or out of the Level 3 category. Gains and losses in net income and surplus only reflect activity for the period the instrument was classified in Level 3. Transfers into or out of the Level 3 category 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. For the year ended December 31, 2019, bond and common stock Level 3 transfers reflect changes in the measurement basis of bonds between cost and fair value.

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. 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.

The Company is responsible for determining fair value, as well as the appropriate level within the fair value hierarchy, based on the significance of unobservable inputs. The Company reviews methodologies, processes and controls of third-party pricing services and compares prices on a test basis to those obtained from other external pricing sources or internal estimates. The Company performs ongoing analyses of both prices received from third-party pricing services and those developed internally to determine that they represent appropriate estimates of fair value. The controls executed by the Company include evaluating changes in prices and monitoring for potentially stale valuations. The Company also performs sample testing of sales values to confirm the accuracy of prior fair value estimates. The minimal exceptions identified during these processes indicate that adjustments to prices are infrequent and do not significantly impact valuations. An annual due-diligence review of the most significant pricing service is conducted to review its processes, methodologies, and controls. This review includes a walk-through of inputs for a sample of securities held across various asset types to validate the documented pricing process.

Level 2 - Because many bonds, preferred and unaffiliated common stocks do not trade daily, third-party pricing services and internal methods often use recent trades of securities with similar features and characteristics. When recent trades are not available, pricing models are used to determine these prices. These models calculate fair values by discounting future cash flows at estimated market interest rates. Such market rates are derived by calculating the appropriate spreads over comparable U.S. Treasury securities, based on the credit quality, industry and structure of the asset. Typical inputs and assumptions to pricing models include, but are not limited to, a combination of benchmark yields, reported trades, issuer spreads, liquidity, benchmark securities, bids, offers, reference data, and industry and economic events. For mortgage-backed securities, inputs and assumptions may also include characteristics of the issuer, collateral attributes, prepayment speeds and credit rating.

Level 3 - In instances where there is little or no market activity for the same or similar instruments, 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.

Fair values of mortgage and other asset-backed securities, corporate and government fixed maturities are primarily determined using pricing models that incorporate the specific characteristics of each asset and related assumptions including the investment type and structure, credit quality, industry and maturity date in comparison to current market indices, spreads and liquidity of assets with similar characteristics. For mortgage and other-backed securities, inputs and assumptions for pricing may also include collateral attributes and prepayment speeds. Recent trades in the subject security or similar securities are assessed when available, and the Company may also review published research in its evaluation, as well as the issuer's financial statements.

B. Other Fair Value Disclosures

The Company provides additional fair value information in Notes 1, 3, and 5.

NOTES TO FINANCIAL STATEMENTS

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, 2020 and 2019.

December 31, 2020

(In millions)

Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	$ 7,420	$ 6,797	$ -	$ 7,319	$ 101	$ -	$ -
Commercial mortgage loans	$ 648	$ 627	$ -	$ -	$ 648	$ -	$ -
Cash, cash equivalents, and short-terms	$ 653	$ 653	$ (7)	$ 660	$ -	$ -	$ -
Separate account assets	$ 16	$ 16	$ 16	$ -	$ -	$ -	$ -

December 31, 2019

(In millions)

Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	$ 5,867	$ 5,539	$ -	$ 5,735	$ 132	$ -	$ -
Preferred stocks	$ 27	$ 23	$ -	$ 4	$ 23	$ -	$ -
Common stocks	$ 17	$ 17	$ 3	$ -	$ 14	$ -	$ -
Commercial mortgage loans	$ 852	$ 834	$ -	$ -	$ 852	$ -	$ -
Cash, cash equivalents, and short-terms	$ 708	$ 708	$ (53)	$ 761	$ -	$ -	$ -
Separate account assets	$ 542	$ 542	$ 512	$ 30	$ -	$ -	$ -

The fair values presented in the table above have been estimated using market information when available. The following valuation methodologies and significant assumptions are used by the Company to determine fair value for each investment.

Bonds, preferred stock and unaffiliated common stock

The Company estimates fair values of bonds, preferred and common stock 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. The internal pricing methods generally involve 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, 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. See detailed discussion above for significant inputs and assumptions used to value bonds, preferred stock and unaffiliated common stock.

Commercial mortgage loans

The Company estimates the fair value of commercial mortgage loans generally by discounting the contractual cash flows at estimated market interest rates that reflect the Company's assessment of the credit quality of the loans. Market interest rates are derived by calculating the appropriate spread over comparable U.S. Treasury rates, based on the property type, quality rating and average life of the loan. The quality ratings reflect the relative risk of the loan, considering debt service coverage, the loan-to-value ratio and other factors. Fair values of impaired mortgage loans are based on the estimated fair value of the underlying collateral generally determined using an internal discounted cash flow model.

Cash, cash equivalents, and short-term investments

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.

Contract Loans

Contract loans are carried at unpaid principal balances plus accumulated interest which is estimated to equal the fair value. The loans are collateralized by insurance policy cash values and, therefore, have no exposure to credit loss. Interest rates are reset annually based on an index.

Fair values of off-balance-sheet financial instruments were not material as of December 31, 2020 and 2019.

Derivatives

Fair values for these instruments are determined using market observable inputs including forward currency and interest rate curves and widely published market observable indices.

Fair values of off-balance-sheet financial instruments were not material as of December 31, 2020 and December 31, 2019.

NOTE 16 – OTHER ITEMS

Retained Asset Accounts

Prior to February 1, 2012, the Company had a deposit administration agreement with its affiliated company, CGLIC, in which their Retained Asset Accounts were held by CGLIC on their behalf. Effective February 1, 2012, all benefits for new claims arising under the Company's policies (as described below) are being established as Retained Asset Accounts in the Company rather than in CGLIC. All claims prior to February 1, 2012 continue to be held by CGLIC.

Retained Asset Accounts are classified as liabilities for deposit-type contracts. These accounts represent the Company's method for settling certain life, disability and accidental death and dismemberment claims where the claimant does not specify or request payment in an alternate form, or where another form of payment is directed by applicable law. The insurance proceeds are retained in the Company's general account and credited to a beneficiary's free interest-bearing account with draft privileges that can be liquidated at any time. The account balance and earned interest are fully guaranteed by the Company. The interest crediting rate is updated weekly and pegged to the Bank Rate Monitor Index, which reflects the average annual effective yield on money markets offered by one hundred large banks and thrifts in the United States. Interest is compounded daily and is credited to accountholders on a monthly basis. The weighted average effective interest rate credited to account holders in 2020 was 0.14%, ranging from 0.09% to 0.21%. Account holders are charged fees only for special services (stop payment requests, checks denied due to insufficient funds, copies of drafts or statements) and are not charged per-draft fees, maintenance charges or withdrawal penalties.

(Balance in millions)	In Force			
	December 31, 2020		December 31, 2019	
	Number	Balance	Number	Balance
Up to and including 12 Months	4,031	$ 249	3,698	$ 185
13 to 24 Months	2,135	88	2,136	89
25 to 36 Months	1,488	57	1,879	67
37 to 48 Months	1,436	48	1,698	60
49 to 60 Months	1,359	46	1,430	45
Over 60 Months	5,768	162	2,417	73
Total	16,217	$ 650	13,258	$ 519

(Balance in millions)	Individual Number		Individual Balance/Amount	Group Number		Group Balance/Amount
At the Beginning of the Year	-	$	-	13,258	$	519
Issued/Added During the Year	425		23	11,214		708
Investment Earnings Credited During the Year	-		-	-		1
Fees and Other Charges Assessed During the Year	-		-	-		-
Transferred to State Unclaimed Property funds During the Year	-		-	-		-
Closed/Withdrawn During the Year	-		-	(8,680)		(601)
At the End of the Year	425	$	23	15,792	$	627

To support the sale of the Company to New York Life, effective December 30, 2020, a Retained Assets reinsurance agreement between CGLIC and LINA was executed. The agreement cedes 100% of CGLIC's interests in the Retained Assets business to LINA, an unaffiliated party effective December 31, 2020. The agreement was approved by CT and PA Departments of Insurance.

NOTE 17 – REINSURANCE

The Company enters into ceded reinsurance agreements in the normal course of its insurance business to reduce overall risk and to be able to issue group long term disability, group term life and group personal accident insurance policies in excess of its retention limits. The Company also participates in assumed reinsurance with affiliated companies and third parties in acquiring additional business. Both assumed and ceded reinsurance transactions are discussed in further details below.

The effects of reinsurance for the years ended December 31, 2020 and 2019 were as follows (in millions):

(In millions)		**2020**		**2019**
Premiums and Fees				
Direct	$	4,059	$	3,876
Assumed		126		127
Ceded		(129)		(72)
Total	$	4,055	$	3,931
Reinsurance recoverable	$	215	$	399

Reinsurance Assumed

Under various reinsurance agreements, the Company assumes the risks associated with life, accident, and health insurance contracts issued by CGLIC and CHLIC. As a result of the acquisition of the Company by New York Life, these agreements were modified. Policy reserves assumed were $477 million and $455 million at December 31, 2020 and 2019, respectively. Premiums assumed were $124 million and $125 million for the years ended December 31, 2020 and 2019, respectively. Policyholders' benefits assumed were $95 million and $92 million for the years ended December 31, 2020 and 2019, respectively.

In connection with its agreement with CGLIC, the Company set up a trust with CGLIC as the beneficiary. The book value of the assets in the trust at December 31, 2020 was $476 million.

Reinsurance Ceded

The ceding of risk does not discharge the Company from its primary obligations to policyholders. To the extent that the assuming reinsurers become unable to meet their obligations under reinsurance contracts, the Company remains contingently liable. Each reinsurer is reviewed to evaluate its financial stability before executing each reinsurance contract and periodically thereafter.

Effective January 1, 1998, the Company cedes the risks associated with all structured settlement contracts to CGLIC. Policy reserves ceded were $1,339 million and $1,361 million at December 31, 2020 and 2019, respectively. Effective with the closing of the acquisition of the Company by New York Life, CGLIC set up a trust with the Company as the beneficiary. The book value of the assets in the trust at December 31, 2020 was $1.3 billion.

Effective with the closing of the acquisition of the Company by New York Life on December 31, 2020, the Company entered into a reinsurance agreement to cede all of the international expatriate and supplemental health benefit business directly written by the Company to CHLIC. The Company also entered into a novation agreement with CHLIC whereby CHLIC assumed all of the Company's risks associated with international expatriate business excluded from the sale of the Company to New York Life. This business was previously assumed by the Company from three other affiliates of Cigna. In connection with this agreement, CHLIC set up a trust with the Company as the beneficiary. The book value of the assets in the trust at December 31, 2020 was $52 million.

Following the closing of the acquisition of the Company by New York Life on December 31, 2020, a yearly renewable term reinsurance agreement effective December 31, 2020 was entered into by the Company and New York Life Insurance and Annuity Corporation ("NYLIAC"), another direct and wholly owned subsidiary of New York Life, under which the Company cedes all of the mortality risk arising under the Company's group term life insurance business.

NOTE 18 – RETROSPECTIVELY RATED CONTRACTS & CONTRACTS SUBJECT TO REDETERMINATION

A. The Company estimates accrued retrospective premium adjustments for its group life, accident and health insurance business by utilizing a mathematical approach using the Company’s underwriting rules and experience rating practice.

B. The Company estimates accrued retrospective premium adjustments to earned premium.

C. The amount of net premiums written by the Company at December 31, 2020 and 2019 that are subject to retrospective rating features were $231.0 million and $228.1 million respectively, that represented 6% of the total net premiums written for both periods presented. No other net premiums written by the Company are subject to retrospective rating features.

D. Medical loss ratio rebates required pursuant to the Public Health Service Act – Not applicable.

E. Risk-Sharing Provisions of the Affordable Care Act (ACA) – Not applicable.

NOTE 19 – INSURANCE LIABILITIES

Insurance liabilities at December 31, 2020 and 2019 were as follows (*in millions*):

	2020	2019
Disability income insurance reserves	$ 4,326	$ 3,989
Life insurance reserves	688	706
Other accident and health insurance reserves	31	34
Total aggregate reserves for life, accident and health policies and contracts	$ 5,045	$ 4,729
Liability for deposit-type contracts	757	622
Contract claims – life, accident, and health	607	628
Other policy and contract liabilities	59	61
Total insurance liabilities	$ 6,468	$ 6,040

NOTES TO FINANCIAL STATEMENTS

Disability Income Insurance Reserves

Discount rates ranged from 2.25% to 10.25% in 2020 and 2.75% to 10.25% in 2019, with some rates grading to lower levels over time. Mortality and morbidity assumptions are predominantly based on industry tables and are at least as conservative as the statutory minimums. The Company also discounts liabilities for certain cancelable disability insurance business. The liabilities for discounted reserves were $3,659 million at December 31, 2020 and $3,340 million at December 31, 2019. The aggregate amount of discount was $631 million at December 31, 2020 and $613 million at December 31, 2019.

Life Insurance Reserves

Reserves for life insurance policies are maintained principally using the 1958 Commissioners' Extended Term Mortality Table and the 1941, 1958, 1980, 2001 and 2017 Commissioners' Standard Ordinary Mortality Tables under the Commissioners' Reserve Valuation Method or Net Level Premium Reserve Method with valuation interest rates ranging from 2.5% to 6.0%. Reserves for disabled lives are maintained principally using the 2005 Group Life Waiver of Premium Valuation Table with valuation interest rates ranging from 3.0% to 6.0%. Reserves for supplementary contracts with life contingencies are maintained principally using the 1971, 1983, and 1994 Group Annuity Mortality Tables, the 1971 Individual Annuity Mortality Table, the 2012 Individual Annuity Reserve Mortality Table, the 1983 Table A, and the Annuity 2000 Mortality Table with valuation interest rates ranging from 1.50% to 11.25%.

For the years ended December 31, 2020 and 2019, there were no changes in reserve basis.

The Company generally waives deduction of deferred fractional premiums upon death of insured and returns any portion of the premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves.

The Company has issued or assumed substandard policies either rated-up age, or with extra premium, temporary or otherwise, or at a special scale of premiums. In the case of those with rated-up age, the valuation is done at such rated-up age or an equivalent percentage rating.

Ordinary policies issued substandard are valued using a multiple of the standard mortality rates.

The tabular interest has been determined by formula as described in the NAIC instructions except for certain universal life products for which tabular interest has been determined from the basic data for the calculation of policy reserves. The tabular less actual reserves released has been determined by formula as described in the NAIC instructions. The tabular cost has been determined by formula as described in the NAIC instructions. Tabular interest on funds not involving life contingencies was determined from the basic data for the calculation of deposit fund liabilities.

The Company has elected to establish reserves pursuant to VM-A and VM-C for contracts issued in 2020, as allowed by the Life PBR Exemption received from the Pennsylvania Insurance Department, dated August 28, 2020. The Company has elected to establish reserves pursuant to VM-A and VM-C for contracts issued in 2019, as allowed during the first three years following the operating date of the Valuation Manual.

NOTE 20 – ANALYSIS OF ANNUITY ACTUARIAL RESERVES AND DEPOSIT TYPE CONTRACT LIABILITIES BY WITHDRAWAL CHARACTERISTICS

Withdrawal characteristics of annuity actuarial reserves and deposit-type contract funds and other liabilities without life or disability contingencies as of December 31, were as follows:

(in millions)	2020				
	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
A. INDIVIDUAL ANNUITIES:					
(1) Subject to discretionary withdrawal - with adjustment:					
a. With fair value adjustment	$ -	-	5	5	0.4%
b. At book value less current surrender charge of 5% or more	-	-	-	-	

NOTES TO FINANCIAL STATEMENTS

	c.	At fair value	-	-	-	-	
	d.	Total with adjustment or at market value (total a through c)	-	-	5	5	0.4%
	e.	At book value without adjustment (minimal or no charge or adjustment)	2	-	-	2	0.2%
(2)	Not subject to discretionary withdrawal provision		1,254	-	-	1,254	99.4%
(3)	Total (gross: direct + assumed)		1,256	-	5	1,261	100.0%
(4)	Reinsurance ceded		1,252	-	-	1,252	
(5)	Total (net) (3) – (4)		$ 4	$ -	$ 5	$ 9	
(6)	Amount included in A(1)b above that will move to A(1)e in the year after the statement date:		$ -	$ -	$ -	$ -	

NOTES TO FINANCIAL STATEMENTS

B. GROUP ANNUITIES:	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
(1) Subject to discretionary withdrawal - with adjustment:					
a. With fair value adjustment	$ -	$ -	$ 10	$ 10	5.%
b. At book value less current surrender charge of 5% or more	-	-	-	-	
c. At fair value	-	-	-	-	
d. Total with adjustment or at market value (total a through c)	-	-	10	10	5.1%
e. At book value without adjustment (minimal or no charge or adjustment)	2	-	-	2	1.2%
(2) Not subject to discretionary withdrawal provision	191	-	-	191	93.7%
(3) Total (gross: direct + assumed)	193	-	10	203	100.0%
(4) Reinsurance ceded	89	-	-	89	
(5) Total (net) (3) – (4)	$ 104	$ -	$ 10	$ 114	
(6) Amount included in B(1)b above that will move to B(1)e in the year after the statement date:	$ -	$ -	$ -	$ -	

C. DEPOSIT-TYPE CONTRACTS (no life contingencies):	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
(1) Subject to discretionary withdrawal - with adjustment:					
a. With fair value adjustment	$ 53	$ -	$ -	$ 53	7.0%
b. At book value less current surrender charge of 5% or more	20	-	-	20	2.6%
c. At fair value	-	-	-	-	0.0%
d. Total with adjustment or at market value (total a through c)	73	-	-	73	9.6%
e. At book value without adjustment (minimal or no charge or adjustment)	662	-	-	662	87.1%
(2) Not subject to discretionary withdrawal provision	24	-	-	24	3.3%
(3) Total (gross: direct + assumed)	759	-	-	759	100.0%
(4) Reinsurance ceded	2	-	-	2	
(5) Total (net) (3) – (4)	$ 757	$ -	$ -	$ 757	
(6) Amount included in C(1)b above that will move to C(1)e in the year after the statement date:	$ -	$ -	$ -	$ -	

NOTES TO FINANCIAL STATEMENTS

(in millions)

	2019				
	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
A. INDIVIDUAL ANNUITIES:					
(1) Subject to discretionary withdrawal - with adjustment:					
a. With fair value adjustment	$ -	$ -	$ 5	$ 5	0.4%
b. At book value less current surrender charge of 5% or more	-	-	-	-	0%
c. At fair value	-	-	-	-	0%
d. Total with adjustment or at market value (total a through c)	-	-	5	5	0%
e. At book value without adjustment (minimal or no charge or adjustment)	2	-	-	2	0.2%
(2) Not subject to discretionary withdrawal provision	1,264	-	-	1,264	99.4%
(3) Total (gross: direct + assumed)	1,266	-	5	1,271	100.0%
(4) Reinsurance ceded	1,262	-	-	1,262	
(5) Total (net) (3) – (4)	$ 4	$ -	$ 5	$ 9	
(6) Amount included in A(1)b above that will move to A(1)e in the year after the statement date:	$ -	$ -	$ -	$ -	

B. GROUP ANNUITIES:	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
(1) Subject to discretionary withdrawal - with adjustment:					
a. With fair value adjustment	$ -	$ -	$ 10	$ 10	4.5%
b. At book value less current surrender charge of 5% or more	-	-	-	-	0.0%
c. At fair value	-	-	-	-	0.0%
d. Total with adjustment or at market value (total a through c)	-	-	10	10	4.5%
e. At book value without adjustment (minimal or no charge or adjustment)	3	-	-	3	1.2%
(2) Not subject to discretionary withdrawal provision	210	-	-	210	94.3%
(3) Total (gross: direct + assumed)	213	-	10	223	100.0%
(4) Reinsurance ceded	101	-	-	101	
(5) Total (net) (3) – (4)	$ 112	$ -	$ 10	$ 122	
(6) Amount included in B(1)b above that will move to B(1)e in the year after the statement date:	$ -	$ -	$ -	$ -	

NOTES TO FINANCIAL STATEMENTS

C. DEPOSIT-TYPE CONTRACTS (no life contingencies):		General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	% of Total
(1)	Subject to discretionary withdrawal - with adjustment:					
a.	With fair value adjustment	$ 55	$ -	$ -	$ 55	4.8%
b.	At book value less current surrender charge of 5% or more	20	-	-	20	1.7%
c.	At fair value	-	-	526	526	45.7%
d.	Total with adjustment or at market value (total a through c)	75	-	526	601	52.2%
e.	At book value without adjustment (minimal or no charge or adjustment)	528	-	-	528	45.9%
(2)	Not subject to discretionary withdrawal provision	22	-	-	22	1.9%
(3)	Total (gross: direct + assumed)	625	-	526	1,151	100.0%
(4)	Reinsurance ceded	3	-	-	3	
(5)	Total (net) (3) – (4)	$ 622	$ -	$ 526	$ 1,148	
(6)	Amount included in C(1)b above that will move to C(1)e in the year after the statement date:	$ -	$ -	$ -	$ -	

NOTE 21 – ANALYSIS OF LIFE ACTUARIAL RESERVES BY WITHDRAWAL CHARACTERISTICS

The amounts of account value, cash value and reserve for the breakouts of life insurance by withdrawal characteristics, separately for General Account products, Separate Account with Guarantees products and Separate Account Nonguaranteed products, were as follows:

			2020		
(in millions)			Account Value	Cash Value	Reserve
A.	General Account				
	(1)	Subject to discretionary withdrawal, surrender values or policy loans:			
	a.	Term Policies with Cash Value	$ -	$ -	$ -
	b.	Universal Life	75	74	75
	c.	Universal Life with Secondary Guarantees	-	-	-
	d.	Indexed Universal Life	-	-	-
	e.	Indexed Universal Life with Secondary Guarantees	-	-	-
	f.	Indexed Life	-	-	-
	g.	Other Permanent Cash Value Life Insurance	-	35	48
	h.	Variable Life	-	-	-
	i.	Variable Universal Life	-	-	-
	j.	Miscellaneous Reserves	-	-	-
			75	109	123

NOTES TO FINANCIAL STATEMENTS

(in millions)			2020 Account Value	2020 Cash Value	2020 Reserve
(2)	Not subject to discretionary withdrawal provision				
	a.	Term Policies without Cash Value	-	-	64
	b.	Accidental Death Benefits	-	-	-
	c.	Disability - Active Lives	-	-	-
	d.	Disability - Disabled Lives	-	-	404
	e.	Miscellaneous Reserves	-	-	-
(3)	Total (gross: direct + assumed)		75	109	591
(4)	Reinsurance Ceded		-	-	(11)
(5)	Total (net) (3) - (4)		$ 75	$ 109	$ 580

			2020 Account Value	2020 Cash Value	2020 Reserve
B.	Separate Account with Guarantees				
(1)	Subject to discretionary withdrawal, surrender values or policy loans:				
	a.	Term Policies with Cash Value	$	$	$
	b.	Universal Life			
	c.	Universal Life with Secondary Guarantees			
	d.	Indexed Universal Life			
	e.	Indexed Universal Life with Secondary Guarantees			
	f.	Indexed Life			
///	g.	Other Permanent Cash Value Life Insurance			
	h.	Variable Life			
	i.	Variable Universal Life			
	j.	Miscellaneous Reserves			
			-	-	-
(2)	Not subject to discretionary withdrawal provision				
	a.	Term Policies without Cash Value			
	b.	Accidental Death Benefits			
	c.	Disability - Active Lives			
	d.	Disability - Disabled Lives			
	e.	Miscellaneous Reserves			
(3)	Total (gross: direct + assumed)		-	-	-
(4)	Reinsurance Ceded				
(5)	Total (net) (3) - (4)		$ -	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

(in millions)	2020		
	Account Value	Cash Value	Reserve
C. Separate Account Nonguaranteed			
(1) Subject to discretionary withdrawal, surrender values or policy loans:			
a. Term Policies with Cash Value	$	$	$
b. Universal Life			
c. Universal Life with Secondary Guarantees			
d. Indexed Universal Life			
e. Indexed Universal Life with Secondary Guarantees			
f. Indexed Life			
g. Other Permanent Cash Value Life Insurance			
h. Variable Life			
i. Variable Universal Life			
j. Miscellaneous Reserves			
	-	-	-
(2) Not subject to discretionary withdrawal provision			
a. Term Policies without Cash Value			
b. Accidental Death Benefits			
c. Disability - Active Lives			
d. Disability - Disabled Lives			
e. Miscellaneous Reserves			
(3) Total (gross: direct + assumed)	-	-	-
(4) Reinsurance Ceded			
(5) Total (net) (3) - (4)	$ -	$ -	$ -

NOTES TO FINANCIAL STATEMENTS

		2019					
		General Account			**Separate Account - Guaranteed and Non-guaranteed**		
(in millions)		Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
A.	Subject to discretionary withdrawal, surrender values or policy loans:						
(1)	Term Policies with Cash Value	$ -	$ -	$ -	$ -	$ -	$ -
(2)	Universal Life	81	79	81	-	-	-
(3)	Universal Life with Secondary Guarantees	-	-	-	-	-	-
(4)	Indexed Universal Life	-	-	-	-	-	-
(5)	Indexed Universal Life with Secondary Guarantees	-	-	-	-	-	-
(6)	Indexed Life	-	-	-	-	-	-
(7)	Other Permanent Cash Value Life Insurance	-	34	46	-	-	-
(8)	Variable Life	-	-	-	-	-	-
(9)	Variable Universal Life	-	-	-	-	-	-
(10)	Miscellaneous Reserves	-	-	-	-	-	-
		81	113	127	-	-	-
B.	Subject to discretionary withdrawal, surrender values or policy loans:						
(1)	Term Policies without Cash Value	-	-	64	-	-	-
(2)	Accidental Death Benefits	-	-	-	-	-	-
(3)	Disability - Active Lives	-	-	-	-	-	-
(4)	Disability - Disabled Lives	-	-	412	-	-	-
(5)	Miscellaneous Reserves	-	-	-	-	-	-
		-	-	476	-	-	-
C.	Total (gross: direct + assumed)	81	113	603	-	-	-
D.	Reinsurance Ceded	-	-	(12)	-	-	-
E.	Total (net) (C) - (D)	$ 81	$ 113	$ 591	$ -	$ -	$ -

NOTE 22 – PREMIUMS AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

Deferred and uncollected life insurance premiums and annuity considerations as of December 31, were as follows:

(In millions)	2020		2019	
Type	Gross	Net of Loading	Gross	Net of Loading
Ordinary Renewal	$ 1	$ 1	$ 1	$ 1
Group Life	193	193	196	196
Totals	$ 194	$ 194	$ 197	$ 197

NOTES TO FINANCIAL STATEMENTS

NOTE 23 – SEPARATE ACCOUNTS

A. Separate Account Activity

(1) Separate accounts held by the Company represent funds for reinsured variable annuities. The assets of these accounts are carried at market value.

(2) These accounts are maintained independently and all assets are legally insulated from the general account of the Company.

(In millions)

Product/Transaction	**Legally Insulated Assets**	**Assets Not Legally Insulated**
Reinsured Variable Annuities	$ 16	$ -
Total	**$ 16**	**$ -**

(3) The general account does not have any exposure under the guarantees currently due to the age of the contracts and the account values. The risk charges paid to the general account are as follows *(in thousands)*:

a. 2020 – $126
b. 2019 – $137
c. 2018 – $147
d. 2017 – $153
e. 2016 – $151
f. 2015 – $170

No amounts have been paid from the general account to the separate account for guarantees.

(4) The Company does not engage in securities lending transactions within the separate account.

(5) As of December 31, 2020, there were no fees and expenses due by the separate account to the general account. During 2020, the separate account did not remit any amount to the general account for Other Fees and Expenses. No amounts relating to seed money or additional required surplus were due to the general account as of December 31, 2020, nor remitted to the general account at any time during 2020.

NOTES TO FINANCIAL STATEMENTS

B. General Nature and Characteristics of Separate Accounts Business

Information regarding the separate accounts of the Company at December 31, 2020 and 2019, was as follows:

(In millions)			2020	2019
			Nonguaranteed Separate Accounts	
(1)	Premiums, considerations or deposits for the year ended December 31,		$ -	$ 65
(2)	Reserves at December 31,			
	For accounts with assets at:			
	a.	Fair value	$ 16	$ 542
	b.	Amortized cost		
	c.	Total reserves	$ 16	$ 542
(3)	By withdrawal characteristics:			
	a.	Subject to discretionary withdrawal		
		1. With market value adjustment	$ -	$ -
		2. At book value without market value adjustment and with current surrender charge of 5% or more	-	-
		3. At fair value	16	542
		4. At book value without market value adjustment and with current surrender charge of less than 5%	-	-
		5. Subtotal	16	542
	b.	Not subject to discretionary withdrawal		
	c.	Total	$ 16	$ 542

(4) There was no reserve for asset risk in lieu of AVR at December 31, 2020 or 2019.

C. Reconciliation of Net Transfers To or (From) Separate Accounts

(In millions)	2020	2019
(1) Transfers as reported in the Summary of Operations of the Separate Accounts Statement:		
a. Transfers to Separate Accounts (Page 4, Line 1.4)	$ -	$ -
b. Transfers from Separate Accounts (Page 4, Line 10)	1	2
c. Net transfers to or (from) Separate Accounts	(1)	(2)
(2) Reconciling Adjustments:		
a. Reserve Transfers	1	2
(3) Transfers as reported in the Statement of Operations of the Life, Accident & Health Annual Statement (Page 4, Line 26)	$ -	$ -

NOTE 24 – LOSS/CLAIM ADJUSTMENT EXPENSES

The incurred claims attributable to insured or covered events of prior years were unfavorable to reserve levels by $170 million in 2020, and $27 million in 2019. The incurred expense of $170 million for prior year insured or covered events for 2020 is primarily attributable to reserve assumption updates made throughout the year, and observed resolution experience. The incurred expense of $27 million for prior year insured or covered events for 2019 was primarily attributable to observed resolution experience. There was no change to the liability associated with estimated anticipated salvage and subrogation.

NOTE 25 – EVENTS SUBSEQUENT

The Company is not aware of any Type 1 or Type 2 event that occurred subsequent to the balance sheet date for these financial statements which would have had a material effect on the financial condition of the Company. In preparing these financial statements the Company has evaluated events that occurred between the balance sheet date and April 30, 2021.