CIGNA GLOBAL INSURANCE COMPANY LIMITED
(a Guernsey Company)

Annual Report and Financial Statements

For the year ended 31 December 2018

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MANAGEMENT AND ADMINISTRATION

DIRECTORS:	M J Cutts-Watson (appointed 1 October 2018) P P Greskoff S Hasle J E Langlois (resigned 1 October 2018) A L Watt
REGISTERED OFFICE:	St Martin's House Le Bordage St. Peter Port Guernsey GY1 4AU
SECRETARY AND GENERAL REPRESENTATIVE:	Marsh Management Services Guernsey Limited St Martin's House Le Bordage St Peter Port Guernsey GY1 4AU
INDEPENDENT AUDITOR:	PricewaterhouseCoopers CI LLP Royal Bank Place 1 Glategny Esplanade St Peter Port Guernsey GY1 4ND

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of the Company present their annual report and the audited financial statements for the year ended 31 December 2018.

Structure of Company & Principal Activities
The Company was incorporated on 21 May 2004 in accordance with the provisions of The Companies (Guernsey) Law, 2008 and licensed under The Insurance Business (Bailiwick of Guernsey) Law, 2002 to carry on general insurance business, excluding domestic business.

Results
The results for the year are shown in the statement of comprehensive income on page 7.

Dividends
The Directors did not declare a dividend during the year (2017: Nil).

Directors
The Directors of the Company during the year and as at 31 December 2018 were as stated on page 1.

Secretary
The secretary of the Company during the year and as at 31 December 2018 was Marsh Management Services Guernsey Limited.

Insurance Manager
The management of the Company is delegated to Marsh Management Services Guernsey Limited, who in turn outsource certain functions to other parties within the Cigna Corporation.

Directors' Responsibilities
The Directors are required to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the Profit or Loss of the Company for that period and are in accordance with applicable Guernsey law and accounting principles generally accepted in the United States of America ("US GAAP"). In preparing these financial statements, the Directors are required to:

1. Select suitable accounting policies and apply them consistently;

2. Make judgments and estimates that are reasonable and prudent;

3. State whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and

4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors and disclosure of information to auditors
In accordance with Section 249 of The Companies (Guernsey) Law 2008, the Directors confirm that:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and

- the Directors have taken all the steps that he/ she ought to have taken as a Director in order to make him/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information; and

- the information given in the Report of the Directors is consistent with the financial statements.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Independent Auditor
A resolution for the reappointment of PricewaterhouseCoopers CI LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

....
Director

Date: 30 April 2019

St Martin's House
Le Bordage
St Peter Port
Guernsey
GY1 4AU

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIGNA GLOBAL INSURANCE COMPANY LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cigna Global Insurance Company Limited (the "Company") as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America and have been properly prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008 and The Insurance Business (Bailiwick of Guernsey) Law, 2002.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in total equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and with SEC Independence Rules. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The directors are responsible for the other information. The other information comprises all the information included in the Annual Report and Financial Statements but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with accounting principles generally accepted in the United States of America, the requirements of Guernsey law and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CIGNA GLOBAL INSURANCE COMPANY LIMITED (CONTINUED)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit;
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

This report, including the opinion, has been prepared for and only for the members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers CI LLP

PricewaterhouseCoopers CI LLP
Chartered Accountants
Guernsey, Channel Islands
30 April 2019

BALANCE SHEET
AT 31 DECEMBER 2018

	Notes	31 December 2018 $	31 December 2017 $
ASSETS			
INVESTMENTS AT FAIR VALUE	3,4		
Bonds (Cost: $nil, 2017: $8,701,153)		-	8,716,264
TOTAL INVESTMENTS		-	8,716,264
Cash and cash equivalents		52,713,525	19,798,694
Fixed deposits		-	10,009,667
Premium receivable		24,964,207	22,358,638
Accounts receivable & prepaid expenses	6	4,905,465	3,090,351
Receivable from reinsurers		813,141	2,234,049
Reinsurance claims reserves	5	19,720,328	20,637,548
Ceded unearned premium reserve	5	4,894,987	2,788,614
TOTAL ASSETS		**108,011,653**	**89,633,825**
LIABILITIES			
Outstanding loss reserve	5	6,413,748	6,628,030
IBNR reserve	5	18,985,094	20,077,975
Deposits received from reinsurers		24,540,725	16,164,701
Unearned premium reserve	5	9,215,431	5,884,394
TOTAL INSURANCE LIABILITIES		**59,154,998**	**48,755,100**
Owed to other group companies	12	3,061,535	3,184,519
Intra-group loan	9,12	6,000,000	-
Accrued expenses & other liabilities	7	5,368,375	3,752,730
TOTAL LIABILITIES		**73,584,908**	**55,692,349**
Capital and reserves:			
Equity share capital	10	23,500,000	23,500,000
Retained earnings		10,926,745	10,441,476
TOTAL SHAREHOLDERS EQUITY		**34,426,745**	**33,941,476**
TOTAL LIABILITIES AND EQUITY		**108,011,653**	**89,633,825**

The financial statements on pages 6 to 19 were approved by the Board of Directors on 25 April 2019 and signed on its behalf by:

M Cattell Dolan

Director

30 April 2019

The accompanying notes on pages 10 – 19 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018	31 December 2017
		$	$
INCOME	2		
Gross premiums written		189,031,237	179,903,850
Reinsurance premium		(150,695,630)	(144,599,152)
Movement in unearned premium reserve		(3,331,037)	6,544,772
Movement in ceded unearned premium reserves		2,106,373	56,197
Ceding commissions		22,676,186	29,796,040
Premium fees		1,948,269	1,761,532
Broker fees		(8,885,689)	(8,286,707)
Investment income		161,225	41,263
Total income		**53,010,934**	**65,217,795**
EXPENSES	2		
Claims paid		(145,972,343)	(148,549,292)
Claims recoverable from reinsurers		121,191,662	121,352,120
Movement in IBNR reserve		1,092,881	6,344,131
Movement in outstanding loss reserve		214,282	(1,737,862)
Movement in reinsurance claims reserves		(917,220)	(620,492)
Interest on deposits held for reinsurers		(398,853)	(166,659)
Intra-group loan interest	12	(5,100)	-
Management fees	12	(72,306)	(77,355)
Directors' fees		(15,325)	(7,200)
Registration/filing fees		(10,855)	(10,855)
Bank charges		(479,564)	(42,330)
Loss on foreign exchange		(664,534)	(170,055)
Allocation of group expenses		(26,183,221)	(29,869,426)
Total operating expenses		**(52,220,496)**	**(53,555,275)**
TOTAL COMPREHENSIVE INCOME BEFORE TAX		**790,438**	**11,662,520**
Income tax	2,8	(305,169)	(3,641,542)
TOTAL COMPREHENSIVE INCOME AFTER TAX		**485,269**	**8,020,978**

The accompanying notes on pages 10 – 19 form an integral part of the financial statements.

STATEMENT OF CHANGES IN TOTAL EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	$	$
Total equity at beginning of year	33,941,476	25,920,498
Movement in total equity resulting from operations		
Total comprehensive income	485,269	8,020,978
Net increase in total equity resulting from operations	485,269	8,020,978
Net increase in total equity	485,269	8,020,978
Total equity at end of year	34,426,745	33,941,476
Shareholders' equity per ordinary share	**1.4124**	**1.3925**
Number of ordinary shares issued	24,375,000	24,375,000

The accompanying notes on pages 10 – 19 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 $	31 December 2017 $
Cash flows from operating activities		
Net income from operations	485,269	8,020,978
Adjustments to reconcile increase in net assets resulting from operations to net cash from/(used in) operating activities:		
(Increase) in premium receivable	(2,605,569)	(5,486,209)
(Increase)/decrease in debtors & prepaid expenses	(1,815,114)	133,575
Decrease in reinsurance claims reserves	917,219	620,492
(Increase) in receivable from reinsurers	1,420,908	(1,922,682)
(Decrease)/increase in owed to other group companies	5,877,016	726,740
Increase/(decrease) in deposits received from reinsurers	8,376,024	(3,345,675)
Increase in accrued expenses	1,615,645	11,820
(Decrease)/increase in outstanding loss reserve	(214,282)	1,737,862
(Decrease) in IBNR reserve	(1,092,881)	(6,344,131)
Increase/(decrease) in unearned premium reserve	3,331,037	(6,544,772)
(Increase)/decrease in ceded unearned premium reserve	(2,106,372)	(56,197)
Investment income	(161,244)	(207,998)
Net cash from/(used in) operating activities	14,027,656	(12,656,197)
Cash flows from in investment activities		
Sale of investments	8,877,508	10,306,000
Sale of fixed deposit	10,009,667	5,018,286
	18,887,175	15,116,288
Net increase in cash	**32,914,831**	**2,668,089**
Cash and cash equivalents at beginning of year	19,798,694	17,130,605
Cash and cash equivalents at end of year	**52,713,525**	**19,798,694**

The accompanying notes on pages 10 – 19 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1. ORGANISATION

CIGNA Global Insurance Company Limited (the "Company"), a wholly owned subsidiary of Cigna Holdings Overseas Inc. (the "Parent"), which is a wholly-owned subsidiary of Cigna Global Reinsurance Company Limited ("CGRC"), which in turn is wholly owned by Cigna Global Holdings , Inc, which is an indirect wholly-owned subsidiary of Cigna Corporation ("Cigna").

The Company was incorporated in Guernsey on 21 May 2004 and is a Guernsey registered insurance company under The Companies (Guernsey) Law, 2008.

The Company acts as a principal insurer of the insured risks in relation to policies issued by various business lines within the CIGNA group and companies under the strategic management of a global insurance operation.

The Company's ultimate parent entity, Cigna, acquired Express Scripts on December 2018 in cash and stock transaction valued at $52.8 billion.

The acquired Express Scripts business accelerates Cigna's strategy by increasing its ability to put medicine within reach of customers while also helping to make it more affordable. Cigna can improve patient outcomes and help control the cost of the drug benefit by:

1) identifying products and offering solutions that improve patient outcomes and assist in controlling costs;
2) evaluating drugs for efficacy, value and price to select a cost-effective formulary;
3) offering cost-effective home delivery pharmacy and specialty services that produce cost savings for plan sponsors and better care for members;
4) leveraging purchasing volume to provide discounts to health benefit providers; and
5) promoting generic and lower-cost brand name drugs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
These financial statements have been prepared on a going concern and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

These financial statements were prepared in conformity with GAAP. Amounts recorded in the financial statements necessarily reflect management's estimates and assumptions about medical costs, investment valuation, interest rates and other factors. Significant estimates are discussed throughout these Notes; however, actual results could differ from those estimates. The impact of change in estimate is generally included in earnings in the period of adjustment.

The Company's financial statements are presented in USD which is the functional and the reporting currency of the Company.

Critical Accounting Estimates
The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect reported amounts and related disclosures in the financial statements. Management considers an accounting estimate to be critical if:

- It requires assumptions to be made that were uncertain at the time the estimate was made; and
- Changes in the estimate or different estimates that could have been selected could have a material effect on the Company's results of operations or financial condition.

Management believes the current assumptions used to estimate amounts reflected in the Company's financial statements are appropriate. However, if actual experience differs from the assumptions used in estimating amounts reflected in the financial statements, the resulting changes could have a material adverse effect on the Company's results of operations and, in certain situations, could have a material adverse effect on its liquidity and financial condition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents
Cash comprises bank balances with banks and financial institutions. Cash balances are carried at the notional value which equates to fair value. Foreign balances are converted to USD at the prevailing spot rate. All cash balances are readily accessible within 24 hours without penalty.

Fixed deposits
Fixed deposits include fixed term bank deposits with an initial term of more than three months which cannot be withdrawn before maturity without penalty.

Financial Instruments
In the normal course of business, the Company enters into transactions involving various types of financial instruments, including investments such as bonds. The fair value of these instruments may change due to interest rate and market fluctuations, and most have credit risk.

Bonds
Bonds include municipal bonds, corporate notes, U.S. Treasury securities, federal agency mortgage-backed securities and other asset-backed securities. These investments are classified as available-for-sale and are carried at fair value with changes in fair value recorded in accumulated other comprehensive income, net of applicable income taxes, within shareholders' equity. Because bonds are available for use in current operations, they are classified as current assets without regard to their contractual maturity dates.

Investment Gains and Losses
Realised investment gains and losses result from sales, investment asset write-downs, and changes in valuation reserves, based on specifically identified assets. Unrealised gains and losses on bonds carried at fair value are included in accumulated other comprehensive income, net of deferred taxes.

Premiums
Premium income and reinsurance premium payable, net of premium taxes, if any, are accounted for on an accruals basis.

Gross premiums written and reinsurance premiums payable comprise the premiums on contracts entered during the year irrespective of whether they relate in whole or part to a later accounting year. Premiums collected on a monthly and quarterly basis are not annualised. Provision is made, as appropriate, for unearned premium and unexpensed reinsurance premium, if any. Unearned premium is that proportion of premium written in a year that relates to periods of risk after the balance sheet date. Unearned premiums are calculated on a time apportionment basis.

Reinsurance premium
Reinsurance premium is bought into the underwriting account on an accruals basis. The proportion of any premium unexpensed at the balance sheet date is carried forward as an unearned reinsurance premium balance.

Investment Income
Investment income represents interest receivable on deposits and realised and unrealised gains on investments. Interest receivable is included on an accruals basis.

Expenses
Expenses are accounted for on an accruals basis.

Claims reserving
Claims reserves comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date whether reported or not.

The level of the provision has been set on the basis of the information which is currently available, including potential loss claims which have been intimated to the Company, experience of the development of similar claims and case law.

Whilst the Directors consider that the provision for these claims is fairly stated on the basis of the information currently available to them, the ultimate liability may vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amounts of the provision are reflected in the financial statements in the accounting year in which the adjustments are made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision is made for reinsurance recoveries on a similar basis.

Interest on deposits received from reinsurers
Interest is payable to reinsurers on deposits which the Company holds on their behalf. Interest payable is included on an accruals basis.

Recharge of group overheads
Services are provided to the Company by other group companies under various contractual agreements and direct costs may be recharged to the Company as appropriate. In addition, charges incurred centrally by CIGNA Corporation Inc. are allocated to Connecticut General Life Insurance Company, CIGNA Worldwide Insurance Company and to the Company on the basis of the entities' net premiums written relative to the total net premiums written. A proportion of such overheads are recharged to reinsurers under the relevant reinsurance agreements.

Reinsurance
Reinsurance is ceded primarily to limit losses from large exposures and to permit recovery of a portion of direct losses. Reinsurance does not relieve the originating insurer of liability.

Under various reinsurance agreements, the Company reinsures a proportion of the risks underwritten, one of which is CIGNA Global Reinsurance Company Limited. The amount reinsured varies from contract to contract. Gross claims paid are shown in the Statement of Comprehensive Income. Amounts recoverable from reinsurers are recognised in the Balance Sheet as the relevant proportion of claims paid and payable less the amounts already received. The movement in reinsurance recoveries is shown in the Statement of Comprehensive Income. Deposits may be received from reinsurers in order to fund claims payments. These are shown as a liability in the Balance Sheet.

Foreign Currency Transactions
Financial assets and liabilities denominated in foreign currencies are translated to US Dollars at the rates of exchange ruling at the balance sheet date. Other transactions are translated at the actual rate on the date of transactions. Foreign exchange differences are reported in the Statement of Comprehensive Income.

Taxation
The Company is taxed at the standard rate of tax in Guernsey of 0%.

The Company is resident in the United States for tax purposes and is liable for US income tax. The Company and its Parent are included in the consolidated United States federal income tax return filed by Cigna. The Company's tax liability is calculated and paid centrally and recharged to the Company.

Pursuant with a tax sharing agreement with Cigna, the provision for federal income tax is computed as if the Company is filing separate federal income tax returns, except that benefits arising from tax credits and net operating losses are allocated to those subsidiaries producing such attributes only to the extent they have been utilised in the consolidated federal income tax provision. Deferred income taxes and benefits are generally recognised when assets and liabilities have different values for financial statement and tax reporting purposes. See Note 7 for additional information.

Recent Relevant Accounting Pronouncements
The following Accounting Standards Updates ("ASU") were adopted from 1 January 2018:

ASU 2015-09 – (Financial Services – Insurance: Disclosures about Short-Duration Contracts)
This standard seeks to increase disclosure about the liability for unpaid claims and claim adjustment expenses for short duration insurance contracts. The intent of the new disclosure is to increase transparency of significant estimates made in measuring those liabilities, improve comparability by requiring consistent disclosure of information, and provide financial statements users with additional information to facilitate analysis of the amount, timing and uncertainty of cash flows arising from contracts issued by insurance entities and the development of loss reserve estimates. The adoption of this standard has resulted in the inclusion of the incurred and paid claims development table, as well as a reconciliation of provision for unearned premiums, included under Note 5.

ASU 2014-09 – (Revenue from Contracts with Customers)
This is a new revenue recognition standard that provides principles that an entity applies to report useful information about the amount, timing and uncertainty of revenue and cash flows arising from its contracts to provide goods or services to customers. The core principle requires an entity to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. Adoption of this standard had no impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ASU 2016-01 – (Recognition and Measurement of Financial Assets and Financial Liabilities)
The FASB issued guidance that will require entities to measure equity securities at fair value in net income if they are not consolidated or accounted for under the equity method. The new guidance also changes the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance for assessing the valuation allowance when recognising deferred tax assets from unrealised losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities was left largely unchanged. Adoption of this standard had no impact on the financial statements.

The following ASU, effective in future periods, has not been early adopted and has not yet been evaluated for its impact on the financial statements:

ASU 2016-13 – (Measurement of Credit Losses on Financial Instruments)
The FASB issued guidance that requires a new approach using expected credit losses to estimate and recognise credit losses for certain financial instruments such as mortgage loans, reinsurance recoverables and other receivables. We expect to adopt the standard as of January 1, 2020.

3. FAIR VALUE MEASUREMENT

Valuation of Investments
The Company carries certain financial instruments at fair value in the financial statements including bonds in the prior year. 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 investments of the Company are carried at fair value in accordance with Financial Accounting Standard Board ("FASB") ASC Topic 820, "Fair Value Measurements and Disclosures" ("ASC 820"). ASC 820 provides a framework for measuring the fair value of assets and liabilities. ASC 820 also provides guidance regarding a fair value hierarchy which prioritises information used to measure fair value and the effect of fair value measurements on earnings and provides for enhanced disclosures determined by the level within the hierarchy of information used in the valuation. ASC 820 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances.

ASC 820 defines fair value in terms of the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The price used to measure the fair value is not adjusted for transaction costs while the cost basis of investments may include initial transaction costs.

Under ASC 820, the fair value measurement also assumes that the transaction to sell an asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market for the asset. The principal market is the market in which the reporting entity would sell or transfer the asset with the greatest volume and level of activity for the asset. In determining the principal market for an asset or liability under ASC 820, it is assumed that the reporting entity has access to the market as of the measurement date. If no market for the asset exists or if the reporting entity does not have access to the principal market, the reporting entity should use a hypothetical market.

Securities that are listed on an exchange and are freely transferable are valued at their latest closing price as published by the relevant exchange or clearing house quoted on such exchange. Securities which are not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, are not regularly traded thereon or in respect of which no prices are available, are valued on the basis of the latest available valuation provided by a relevant counterparty and are adjusted in such a manner as the Directors, in their sole discretion, think fit. If no such valuation is available, the Directors determine the value in good faith in consultation with the appropriate advisors having regard to such factors as they deem relevant.

Details of the basis upon which the investments held by the Company as at 31 December 2018 were valued are contained in note 4.

ASC 820 establishes a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

3. FAIR VALUE MEASUREMENT (CONTINUED)

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Financial assets and liabilities whose values are based on the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; and
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect the Directors' own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

4. INVESTMENTS

During the year, the Company sold all of its investments in full with the proceeds being converted to cash.

The following table shows an analysis of prior year's assets and liabilities recorded at fair value, between those whose fair value was based on quoted market prices (Level 1), those involving valuation techniques where model inputs were observable in the market (Level 2) and those where the valuation technique involved the use of non-market observable inputs (Level 3).

Assets at fair value as at 31 December 2017 Class	**Total $**	**Level 1 $**	**Level 2 $**	**Level 3 $**
Bonds	8,716,264	8,716,264	-	-
Total	8,716,264	8,716,264	-	-

The investment balances disclosed above comprised of a spread of holdings in 56 separate highly rated Corporate Bonds, with staggered maturity dates. The following tables provide an analysis of these investments by maturity date:

Assets at fair value as at 31 December 2017 Class	**Total $**	**Less than 6 months $**	**Less than 1 year $**	**Greater than 1 year $**	**Greater than 2 years $**
Bonds	8,716,264	6,792,646	350,151	1,372,130	201,337
Total	8,716,264	6,792,646	350.151	1,372,130	201,337

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

5. MOVEMENT IN INSURANCE LIABILITIES AND REINSURANCE ASSETS

5 (a) Claims and loss expenses

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Year ended 31 December	$	$	$	$	$	$
Notified claims	6,628,030	(5,121,930)	1,506,100	4,890,168	(3,319,956)	(19,100,289)
Incurred but not reported	20,077,975	(15,515,618)	4,562,357	26,422,106	(17,938,083)	26,422.106
Total at beginning of year	**26,706,005**	**(20,637,548)**	**6,068,457**	**31,312,274**	**(21,258,040)**	**7,321,817**
Claims paid in the year	(145,972,343)	121,191,662	(24,780,681)	(148,549,292)	121,352,120	(27,197,172)
Increase/(decrease) in liabilities:						
- Arising from prior year claims	13,612,982	(9,407,096)	4,205,886	15,309,806	(10,817,128)	4,492,678
- Arising from current year claims	131,052,198	(110,867,346)	20,184,852	128,633,217	(109,914,500)	18,718,717
Total at end of year	**25,398,842**	**(19,720,328)**	**5,678,514**	**26,706,005**	**(20,637,548)**	**6,068,457**
Notified claims	6,413,748	(4,979,802)	(1,433,946)	6,628,030	(5,121,930)	1,506,100
Incurred but not reported	18,985,094	(14,740,526)	4,244,568	20,077,975	(15,515,618)	4,562,357
Total at end of year	**25,398,842**	**(19,720,328)**	**5,678,514**	**26,706,005**	**(20,637,548)**	**6,068,457**

5 (b) Provisions for unearned premiums

	2018			2017		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Year ended 31 December	$	$	$	$	$	$
Total at beginning of year	5,884,394	(2,788,614)	3,095,779	12,429,166	(2,732,417)	9,696,749
Increase in period	9,215,431	(4,894,987)	4,320,444	5,884,394	(2,788,614)	3,095,779
Release in period	(5,884,394)	2,788,614	(3,095,779)	(12,429,166)	2,732,417	(9,696,749)
Total at end of year	**9,215,431**	**(4,894,987)**	**4,320,444**	**5,884,394**	**(2,788,614)**	**3,095,779**

6. ACCOUNT RECEIVABLE AND PREPAID EXPENSES

	31 December 2018	31 December 2017
	$	$
Commissions receivable	38,986	331,254
Prepayment – Grand United	663,679	1,827,315
US tax refund (see note 8)	1,090,002	922,477
Other taxes payable	184,192	-
Deferred acquisition costs	220,373	-
Deferred broker fees	794,191	9,305
Unapplied cash	1,914,042	-
	4,905,465	3,090,351

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

7. ACCRUED EXPENSES & OTHER LIABILITIES

	31 December 2018	31 December 2017
	$	$
Audit fees	88,244	92,260
Reinsurance premium due	526,030	72,099
Premium due	-	196,600
Premium taxes due	750,884	1,052,207
Commissions payable	1,969,620	874,711
Other payables	991,437	861,547
Experience rating refunds	1,006,479	565,352
Losses payable	30,581	37,954
Intra-group loan interest	5,100	-
	5,368,375	3,752,730

8. INCOME TAXES

The Company is taxed at the standard rate of tax in Guernsey of 0%.

8 (a) Income taxes receivable:
In keeping with the provisions of Section 953(d) of the Internal Revenue Code, CGIC agreed to be treated as a domestic corporation for United States tax purposes. As a result, CGIC is included in the consolidated United States federal income tax return that Cigna (CGIC's ultimate parent) files. In accordance with a tax sharing agreement, the income tax provision is computed as if each company was filing a separate income tax return. The only exception to this are benefits arising from foreign credits and net operating and capital losses which are allocated to those subsidiaries producing such attributes to the extent they are utilised in Cigna's consolidated federal income tax provision.

Below is a summary of the change in CGIC's income tax receivable for the years ended 31 December 2018 and 2017:

	31 December 2018	31 December 2017
Change in income taxes receivable:	$	$
Balance, beginning of period due from Cigna Corp.	665,387	(1,668,169)
Current tax provision	(448,125)	(3,115,117)
Payments	472,694	5,449,413
Other	-	-
Balance, end of period due from Cigna Corp.	689,956	665,387

8 (b) Deferred income taxes:
Deferred income taxes are generally recognised when assets and liabilities have different values for financial statement and tax reporting purposes. These differences primarily result from CGIC's insurance operations.

Below is the summary of the change in the net deferred tax asset balance for the years ended 31 December 2018 and 2017:

	31 December 2018	31 December 2017
Change in net deferred tax liability:	$	$
Balance, beginning of period	257,090	782,675
Current tax provision	142,956	(525,585)
Balance, end of period	400,046	257,090

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

8. INCOME TAXES (CONTINUED)

The tax effect of the temporary differences that create deferred income tax assets as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Deferred tax assets:	$	$
Other Insurance and contract holder liability	400,046	257,090
Total Deferred Tax Assets	400,046	257,090

The tax effect of the temporary differences that create deferred income tax liability as of 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Deferred tax liabilities:	$	$
Total deferred tax liabilities	-	-
Total Net Deferred Tax Assets/(Liabilities)	**400,046**	**257,090**

The provision for federal and foreign income taxes incurred is different from what would be obtained by applying the statutory Federal income tax rate to income before income taxes. Significant items that drive this difference are as follows:

	31 December 2018	
Items:	$	
Provision computed at statutory rate	165,992	21.00%
Effect of US tax reform legislation	46	0.01%
Health Insurance Industry tax	26,113	3.30%
Prior year true up and other adjustments	112,998	14.30%
Total Statutory Income Taxes	**305,169**	**38.61%**

The federal corporate income tax rate declined to 21% effective 1 January 2018 resulting from U.S. tax reform legislation enacted in late 2017. The Company has continued to evaluate the provisional tax reform adjustments first recorded in 2017. The one year measurement period pursuant to SAB 118, has now closed with only minor adjustments to the initial amounts.

The statute of limitations for Cigna's consolidated income tax returns through 2014 have closed, and there are no pending examinations. Cigna has filed an amended 2014 consolidated tax return and the pending refund is subject to Internal Revenue Service (IRS) review. The IRS has examined ESI's tax returns for 2010 through 2012 for which there is a significant disputed tax matter, and currently under examination for 2013 through 2015. No material impacts are anticipated for the Company. In management's opinion, the Company has adequate tax liabilities to address potential exposures involving tax positions the Company has taken that may be challenged by the IRS upon audit. These liabilities could be revised in the near term if estimates of Cigna's ultimate liability change as a result of new developments or a change in circumstances. No material contingent tax liability is included in the Company's current federal income tax payable. The Company does not expect a significant increase in federal or foreign contingent tax liability within the next twelve months.

9. INTRA-GROUP LOAN

On 19 December 2018 the Company entered into an agreement with Cigna Holdings, Inc. to borrow a line of credit of $6 million. The loan has a maximum duration of 12 months with interest being charged daily at a commercial rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

10. SHAREHOLDERS' EQUITY

The authorised share capital of the Company is represented by an unlimited number of Ordinary Shares of no par value which are denominated in USD.

The holders of Ordinary Shares are entitled to:

- receive and participate in any dividends or other distributions out of the profits of the Company available for dividend or distribution;
- the right to the surplus assets remaining after payment of all the creditors of the Company in the case of winding up; and
- the right to receive notice of, and to attend and vote at, general meetings of the Company and each holder of Ordinary Shares being present in person or by attorney at a meeting upon a show of hands has one vote and upon a poll each such holder present in person or by proxy or by attorney has one vote in respect of each share held by him.

Issued capital:

31 December 2018	**Number of Ordinary Shares**	**$**
Ordinary Shares at 1 January 2018	24,375,000	23,500,000
Ordinary Shares outstanding at 31 December 2018	24,375,000	23,500,000

No shares were issued or repurchased by the Company during the year.

31 December 2017	**Number of Ordinary Shares**	**$**
Ordinary Shares at 1 January 2017	24,375,000	23,500,000
Ordinary Shares outstanding at 31 December 2017	24,375,000	23,500,000

11. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

As a result of its investment strategy, the Company is also exposed to varying degrees of market risk, credit risk and liquidity risk.

a) Market Risk
Market risk is the risk that the value of the Company's investments will fluctuate due to changes in interest rates, currency rates and other market factors. Price risk embodies not only the potential for loss but also the potential for gain. Market risk also reflects that investments in unlisted companies are further subject to the limitations of fair value as a measurement device.

b) Credit Risk
Credit risk is represented by the possibility that counterparties or exchanges will not perform under the terms of contracts agreed to with the Company. Cash and deposits are held with various banking counterparties. Credit risk includes the potential for covenant violations and possible repercussions therefrom of underlying debt instruments owned by investee companies. This also includes the potential of investee companies not meeting scheduled principal and interest payments.

The Company continuously monitors the credit standing of its counterparties and does not expect any material losses.

c) Liquidity Risk
Liquidity risk is the risk that the Company may encounter as a result of its inability to sell its investments quickly at fair value. It also includes the risk of not meeting unscheduled demands from vendors and third parties. The Company is able to meet its liquidity requirements by only holdings cash and cash equivalents.

12. RELATED PARTIES

The total remuneration paid to the independent non-executive director during the year amounted to $15,325 (2017: $7,200).

Total fees paid to the Company's Insurance Manager during the year totalled $72,306 (2017: $77,355).

Total intra-group loan interest of $5,100 has paid to Cigna Holdings, Inc during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

13. COMPARATIVE FIGURES

Comparative figures used in these financial statements are for the year ended 31 December 2017 for the Balance Sheet, the Statement of Comprehensive Income, the Statement of Changes in Total Equity and the Statement of Cash Flows.

14. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company may enter into contracts that provide general indemnifications. The Company's maximum exposure under these arrangements is unknown as this would be dependent on future claims that may be made against the Company. The risk of material loss from such claims is considered remote.

15. SUBSEQUENT EVENTS

There have been no subsequent events requiring disclosure in these financial statements.