

REPORT OF THE BOARD OF DIRECTORS

of CIGNA Europe Insurance Company S.A.-N.V. to the Shareholders on the activities of the financial year 2009

OPERATIONS

Overview

CIGNA Europe Insurance Company S.A.-N.V. ("CEIC") was formed in March 2001 and is licenced to write accident, health and other financial risks classes of business throughout Europe by the CBFA. New business of the company comes from two main sources. Firstly the non-life portions of credit insurance covering loss of employment and related risks attached to the credit insurance sold by CIGNA Life Insurance Company of Europe ("CLICE") and secondly the healthcare insurance to Expatriate employees of multi-national companies in Switzerland through the branch in that country.

In addition, on April 1, 2005, the accident & health portion of the CIGNA Re Life, Accident & Health (CIGNA RLAH) portfolio originally written by CIGNA Insurance Company of Europe (CICE) was transferred from ACE European Group Limited to CEIC. The portfolio was underwritten between 1993 and 2000 and is now in run off. Technical reserves are all fully retroceded to external and internal re-insurers. The business consists of 2 main blocks of business:

- PA – London Personal Accident – coverage provides lump sum benefits or periodic payments for losses due to accidents or injuries. Includes such categories as Travel Accident, Scandinavian workers comp, sports disability, loss of license.
- SCB – Sterling Cook Brown Lineslip – consists of U.S. workers compensation carve-out business.

Technical reserves associated with the above block of business at 31 December 2009 had reduced to 73m at 31 December 2009 (from 109m at 31 December 2008).

Letters of Credit from HSBC and Bank of Tokyo Mitsubishi provided to CEIC at the time of the transfer of the reinsurance business in 2005 were reduced from a face value of \$100m to \$80m as the outstanding reserves had reduced and external actuarial opinion supported the reduction.

A dividend of 5.0m was paid in 2009 to the parent company.

ANALYSIS OF RESULTS

The key financial indicators of the company's performance in 2009 with comparative figures for 2008 are:

	2009 Eur '000	2008 Eur '000
Gross premium income	33,031	25,022
Net premium income	18,063	18,075
Net financial income	2,763	295
Total revenue	20,826	18,370
Net policy-holders benefits	7,782	6,138
Net commissions and expenses	7,602	8,253
Total benefits & expenses	15,384	14,391
Net operating income	5,442	3,979
Other income and extraordinary income	(593)	(3,405)
Net income taxes	(749)	48
Net income after taxes	4,100	622

Gross premium income increased by 32% to EUR 33.0m primarily as a result of Swiss business growth with Gross Premium income increasing from 9.7m to 13.8m.

Net policyholders benefit ratio increased by 9%, this is due to the higher proportion of Swiss medical business, which has a higher benefit ratio.

Other income losses have improved since 2008 due to less Foreign Exchange losses being incurred in 2009.

Because of the above, net income after taxes for the year of EUR 4.1m compares to EUR 0.6m in 2008.

Risk Exposure

Formal ALM meetings occur quarterly during the year to assess the liability profile of the company, and the matching assets. Given the short-term nature of the liability profile there are no significant ALM issues within the company.

The company does not use any derivative products within its asset portfolio.

The interest rate and credit risk of the company is limited by its use of investment-grade assets. At Year-End, 190.9% of the direct technical reserves were invested in both government and corporate bonds of which 94% were at least "A" rated. The remainder of the bonds were invested in high quality corporate investments.

The level of future interest rate risk is controlled by maintaining adequate liquidity levels and investing in short term assets. The company does not face significant other risks and uncertainties.

Remuneration Policy

The Company's remuneration philosophy reflects our desire to strengthen our financial position and to invest in our people, who, through their skills, competencies, and abilities advance the Company in the competitive marketplace.

Each remuneration component reward is linked to individual, organisational and enterprise performance. Employees have the opportunity to receive total rewards that exceed competitive practices in the marketplace when they deliver superior results.

The Remuneration and People Resources Committee was set up during the first quarter of 2010 and consists of three members with at least one member as an independent non-executive director. The Committee assists the Board of Directors in fulfilling its responsibilities related to the oversight of the Company's human resources by reviewing personnel policies and policy controls, people development, and compensation and benefit programs and plans, including for the Company's executive officers.

Audit Committee

The board has formed an Audit Committee which meets quarterly prior to board meetings. The non-executive directors are the members of the Audit Committee with the independent non-executive director acting as the chairman. The board is satisfied that the members have the collective expertise in the activities of the company as well as in the fields of financial management, financial reporting, accounting and audit. The board is further satisfied that the independent non-executive director meets the necessary criteria to both demonstrate and fulfil the requirement for independence.

The Future

During 2010 we will continue to look at the European Payment Protection insurance market to identify profitable positions to replace the loss of the UK single premium business, concentrating mainly on the Scandinavian region. We will also work to win new clients in Switzerland to expand our expatriate business. We will also continue to work with the US based team to manage the run off reinsurance portfolio transferred in April 2005.

The Company will participate in the Solvency II QIS 5 submission during 2010, and expects to take a decision on the use of an internal model for CEIC after the completion of this exercise. For CEIC special emphasis on the treatment of counterparty risk and the run-off reinsurance portfolio will be required.

Finally, the Directors are not aware of any subsequent events.

Brussels, 23 April 2010
The Board of Directors.

