REPORT OF MEDICAL LOSS RATIO EXAMINATION OF THE CONNECTICUT GENERAL LIFE INSURANCE COMPANY AS OF DECEMBER 31, 2011

Filed June 20, 2014

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Los Angeles, California
April 15, 2014

Honorable Dave Jones
Insurance Commissioner
California Department of
Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, a Medical Loss Ratio examination was made of the

Connecticut General Life Insurance Company

(hereinafter also referred to as the Company) at its main administrative office located at 900 Cottage Road, Bloomfield, Connecticut 06002.

SCOPE OF EXAMINATION

We have performed a Medical Loss Ratio (MLR) examination of Connecticut General Life Insurance Company to determine compliance with California Insurance Code (CIC) Section 10112.25 related to minimum medical loss ratio requirements. CIC Section 10112.25 grants the Insurance Commissioner authority to adopt regulations to implement the medical loss ratio as described under Section 2718 of the federal Public Health Service Act. Section 2718 of the federal Public Health Service Act authorizes the U.S. Code of Federal Regulation Title (45 CFR) – Public Welfare Part 158 to be implemented. This examination covers the twelve months ending December 31, 2011.

We examined the MLR Annual Reporting Form as completed by the Company and submitted to the U.S. Department of Health & Human Services (HHS) for the 2011 MLR reporting year, to ensure the validity of the underlying data, accuracy of the calculation, and accuracy and timeliness of the rebate payments made and reported in compliance with 45 CFR Part 158. 45 CFR §158.403(a)(2) permits HHS to accept the State's audit provided it, among other things, reports on the validity of the data regarding expenses and premiums that the issuer reported to the Secretary of HHS, including the appropriateness of the allocations of expenses used in such reporting and whether the activities associated with the issuer's reported expenditures for quality-improving activities meet the definition of such activities. 45 CFR §158.403(a)(3) further permits HHS to accept the State's audit provided it also, amongst other things, reports on the accuracy of rebate calculations and the timeliness and accuracy of rebate payments.

Although the Company is licensed to write accident and health business in multiple states, the MLR examination of the Company is limited only to business written in California and does not include business written in other states where the Company is required to submit an MLR Annual Reporting Form to the HHS.

SUBSEQUENT EVENTS

On March 25, 2013, the Company filed an amended premium tax return with the California Department of Insurance (CDI) for tax years 2008, 2009, 2010, and 2011 requesting a premium tax refund of $15,189,642. The overpayment was a result of an accounting error in which the premium for the California Maximum Premium product was overstated on the premium tax filings.

Year	Amount Overpaid
2008	$ 4,581,824
2009	$ 2,692,534
2010	$ 3,201,258
2011	$ 4,714,026
Total	$15,189,642

The Company is in the process of determining the potential impact of the requested premium tax refund on the MLR calculation. However, the final disposition of the premium tax refund request had not been received from the CDI as of the date of this report.

OWNERSHIP

Connecticut General Life Insurance Company ("CGLIC") operates under a charter which was granted by the General Assembly of the State of Connecticut on June 22, 1865. The Company was organized and commenced business in October 1865. On December 19, 1867, the Company became a wholly-owned subsidiary of Connecticut General Corporation, which is an indirect wholly-owned subsidiary of Cigna Corporation.

TERRITORY AND PLAN OF OPERATION

The Company is domiciled in the State of Connecticut. As of December 31, 2011, the Company was licensed to sell life and accident and health insurance in all states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Canada. During 2011, the Company wrote $8,030,891,777 of accident and health premiums. Only 10% or $875.5 million of the direct premium was written in California.

The Company and its subsidiaries are major providers of health care and related benefits in the Uniteds States, the majority of which are offered through employers and other groups (e.g. unions and associations). Principal products and services are group life and health insurance. In addition, the Company has international operations that offer products similar to those offered domestically to businesses and individuals in selected markets. The Company also has certain run-off operations including an individual insurance program, group retirement operation, and reinsurance operation.

MEDICAL LOSS RATIO REPORTING FORM

Title 45 of the U.S. Code of Federal Regulations (45 CFR) §158.110(b) requires that a report for each Medical Loss Ratio (MLR) reporting year to be submitted to the Secretary of the U.S. Department of Health and Human Services (HHS) by June 1st of the year following the end of an MLR reporting year, on a form and in the manner prescribed by the Secretary of HHS. Based on our review, the Company filed an acceptable form by June 1, 2012 for the 2011 reporting year and is in compliance with 45 CFR §158.110(b).

45 CFR §158.210(a) requires that an issuer must provide a rebate to enrollees if the issuer has an MLR of less than 85% for the large group market. 45 CFR §158.210(b) and (c) require that an issuer must provide a rebate to enrollees if the issuer has an MLR of less than 80% for the small group market and the individual market. The Company's MLR and rebate calculations from the MLR Annual Reporting Form, Part 5 (California only) are as follows:

MLR Components	Individual	Large Group	Mini-Med LG	Notes
Adjusted Incurred Claims	$18,882,144	$565,074,010	$7,001,072	
Plus: Quality Improvement Expenses	$129,727	$5,786,270	$0	
MLR Numerator	$19,011,871	$570,860,280	$14,002,143	(1)
Premium Earned	$23,106,562	$690,997,970	$13,941,035	
Less: Federal & State Taxes and Licensing or Regulatory Fees	$(293,507)	$(15,567,374)	$(1,468,652)	
MLR Denominator	$22,813,055	$675,430,597	$12,472,383	(2)
Preliminary MLR Before Credibility Adjustment	83.3%	84.5%	112.3%	
Credibility Adjustment	3.9%	N/A	2.3%	(3)
Credibility-Adjusted MLR	87.3%	84.5%	114.6%	(4)
MLR Standard	80%	85%	85%	
Rebate Amount	$0	$3,377,153	$0	(5)

Premiums associated with the in-network coverage related to the California Maximum Premium product were erroneously recorded for both the Company and its affiliate, Cigna Healthcare of California (Cigna CA). The product offers clients in-network and out of network coverage to employees and their dependents. Cigna CA provides the in-network coverage and the out of network coverage is provided by the Company. During 2013, and upon discovery, the Company made the necessary corrections of the errors. The correction caused the Company to pay an additional MLR rebate in the amount of $1,911,835.

COMMENTS ON MEDICAL LOSS RATIO CALCULATION

(1) Medical Loss Ratio Numerator

According to Title 45 of the U.S. Code of Federal Regulations (CFR) §158.221(b), the numerator of the MLR calculation is comprised of incurred claims, as defined in 45 CFR §158.140, plus expenditures for activities that improve health care quality, as defined in 45 CFR §158.150, and 45 CFR §158.151. We verified the data used to calculate the adjusted incurred claims. Based on our review, the Company included appropriate adjusted incurred claims in the MLR numerator.

We reviewed the reasonableness of the health care quality improvement expenses including confirming that the methodology complies with the narrative provided within the Part 4 - Expense Allocation portion of the MLR Reporting Form and conforms to the definition of Healthcare Quality Improvement Expenses as defined by 45 CFR §158.150, and 45 CFR §158.151. Based on our review, the Company's allocation methodology and health care quality improvement expenses reported in the MLR numerator is reasonable and conforms to the regulations.

(2) Medical Loss Ratio Denominator

According to 45 CFR §158.221(c), the denominator of the MLR calculation is comprised of premium revenue, as defined in 45 CFR §158.130, minus federal and state taxes and licensing and regulatory fees, described in 45 CFR §158.161(a), and 45 CFR §158.162(a)(1) and (b)(1). We verified the data used to calculate the premium revenue. Based on our review, the Company included appropriate premiums earned in the MLR denominator.

We reviewed the reasonableness and appropriateness of the federal and state taxes and regulatory fees including the appropriateness of allocations and the definition of such activities. Based on our review, the Company's allocation methodology and federal and state taxes and regulatory fees reported in the MLR denominator is reasonable and conforms to the regulations.

(3) Credibility Adjustment

According to 45 CFR §158.232, the credibility adjustment is the product of the base credibility factor multiplied by the deductible factor. The experience for the large group market segment was fully credible; therefore, there was no credibility adjustment calculated for this segment. The experience for the individual and the mini-med large group market segments were partially-credible and credibility factors 3.9% and 2.3% were calculated, respectively. Neither the large group nor the mini-med large group segments reported an average deductible, therefore, a deductible factor of 1 was assigned in accordance with 45 CFR §158.232(c). The individual market segments reported an average deductible of $3,175 and a deductible factor of 1.228 was calculated according to §158.232(c). Based on our review, the Company appropriately calculated the credibility adjustments.

(4) Credibility Adjusted Medical Loss Ratio

According to 45 CFR §158.221(a), the calculation of MLR is the ratio of the numerator to the denominator, subject to the applicable credibility adjustment, if any. Based on our review, the Company appropriately calculated the medical loss ratios for each market segment.

(5) Rebate Amount, Calculation and Distribution

According to 45 CFR §158.240, a rebate is required if an issuer's MLR is less than the minimum MLR standard. Based on our review, the Company's MLR exceeded the minimum percentage for the individual and mini-med large group segments. The Company's MLR for the large group segment was less than the minimum MLR standard. As a result rebates, totaling $3,377,153 were issued for the large group segment. The Company issued rebates to the large group segment enrollees on a timely basis.

The reporting error related to the California Maximum Premium Product caused the Company to issue an additional rebate in the amount of $1,911,835 plus late payment interest of $222,611.

REBATE NOTICE

According to Title 45 of the U.S. Code of Federal Regulations §158.250(a) and (b), a notice of rebate is required when the medical loss ratios do not exceed the minimum percentage. The Company's medical loss ratios exceeded the minimum percentage for individual and small group segments, but did not meet the minimum percentage for the large group segment. Based on our review, the Company appropriately issued rebate notices to its enrollees on a timely basis.

MLR INFORMATION NOTICE

According to Title 45 of the U.S Code of Federal Regulations §158.251(a), a one-time notice of MLR information is required when the medical loss ratio meets or exceeds the minimum MLR standard. The Company's medical loss ratios exceeded the minimum MLR standard for the individual and the mini-med large group segments, but did not meet the minimum MLR standard for the large group segment. Based on our review, the Company appropriately issued MLR information notices to its enrollees.

REBATE PAYMENTS ON SOLVENCY

According to Title 45 of the U.S. Code of Federal Regulations §158.270(a), rebate payments having any adverse impact to the Company's Risk Based Capital (RBC) level require notification by the California Department of Insurance to the U.S. Department of

Health & Human Services (HHS). Based on our review, the rebates did not have an adverse impact on the RBC level that would warrant notifying HHS.

ACCOUNTS AND RECORDS

The examination team experienced significant difficulties in obtaining supporting documentation for most of the information reported by the Company in its filed 2011 Medical Loss Ratio Reporting Form (MLR Form). This included routine requests for confirmation of information, account reconciliations, and detailed supporting reports. It is recommended that the Company maintain adequate documentation to support all MLR Form accounts. The documentation should be prepared in sufficient detail as to allow for a full and complete audit trail from the MLR Form to individual records.

SUMMARY OF COMMENTS, FINDINGS AND RECOMMENDATIONS:

Current Report of Examination

Accounts and Records (Page 8) - It is recommended that the Company maintain adequate documentation to support all Medical Loss Ratio (MLR) Form accounts. The documentation should be prepared in sufficient detail as to allow for a full and complete audit trail from the MLR Form to individual records.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

_______/S/____________________
Cuauhtémoc Beltran, CFE
Examiner-In-Charge
Department of Insurance
State of California