VERMONT

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February 5, 2018

Chair Kevin Mullin
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05620

Re: Solvency Impact of CIGNA Health and Life Insurance Co. Large Group PPO Rate Filing (SERFF # CCGP-131268605) of CIGNA Health and Life Insurance Company

Dear Chair Mullin:

This letter is to fulfill the Department of Financial Regulation's ("DFR") responsibility under 8 V.S.A. §4062(a)(2)(B) regarding Cigna Health and Life Insurance Company ("CHLIC") and its recent Large Group PPO Manual Rating Filing. Under 8 V.S.A. §4062, DFR must provide to the Green Mountain Care Board ("GMCB") an analysis and opinion on the impact of the filing as proposed on the solvency of CHLIC. CHLIC is one of several health insurers operating in Vermont that are members of Cigna Corporation, a holding company ("CIGNA Holding Company"). The solvency of CHLIC as an entity and how a particular filing or rate may affect that solvency are two separate questions. This letter first analyzes and provides DFR's opinion on the solvency of CHLIC, and considers the combined financial results of all insurers in CIGNA Holding Company. It then provides DFR's opinion and recommendation on the impact the filing could have on the solvency of CHLIC.

Summary of Opinion

DFR is of the opinion that the rate as proposed likely will have the impact of sustaining the current level of solvency of CHLIC.

Background

Vermont law requires DFR to protect consumers by supervising insurance companies in a manner that assures the solvency, liquidity, stability, and efficiency of all such companies.[1] DFR has more specific responsibilities to ensure the solvency of companies based in Vermont, as it is the primary regulator for those companies. Similarly, every other state has primary responsibility to ensure the solvency of each company domiciled in its state. As a result, regulators in an insurer's domicile have many powerful tools at their disposal to monitor and ensure the solvency

[1] 8 V.S.A. § 10.

of their domestic companies, and other states in which that insurer does business rely heavily on the domicile state regulators to perform that function.

Approximately 1,000 insurance companies have a license to do business in Vermont and are domiciled in other states. For each of these companies, DFR generally relies on the regulators in the state where the company is domiciled for solvency oversight. However, in addition to this reliance DFR requires foreign companies to meet certain solvency-based criteria to procure and maintain a license to do business in Vermont. DFR uses many tools to ensure foreign companies meet these criteria, including various analytic measures, review of financial statements, and frequent communication with the regulators in a company's domicile state.

Analysis of Solvency

DFR considers the solvency of insurers to be the most fundamental aspect of consumer protection. Whether an insurer is solvent is more complex than simply determining whether at any given moment the insurer has more assets than liabilities. Rather, it is an intricate analysis of many factors to discern how close or far away from insolvency the insurer is, and in what direction it will move in the future. As noted above, the primary responsibility for assessing the solvency of an insurer lies with the regulator in the insurer's domicile state. DFR supplements this home-state regulation by ensuring foreign companies meet certain solvency-based licensing criteria necessary to continue to operate in Vermont.

CHLIC Solvency Opinion

DFR is not the primary regulator of CHLIC. DFR does require CHLIC to meet Vermont's foreign insurer licensing requirements. Currently, CHLIC meets these licensing requirements. Further, CHLIC's primary regulator in Connecticut has not expressed any concerns to DFR about CHLIC's solvency. Finally, in 2016, all of CIGNA Holding Company's operations in Vermont accounted for less than one percent of its total premiums earned. Thus, DFR has determined that CHLIC's Vermont operations pose little risk to its solvency, or to the solvency of CIGNA Holding Company. Nonetheless, adequacy of rates and contribution to surplus are necessary for all health insurers in order to maintain strength of capital that keeps pace with claims trends.

Impact of the Filing on Solvency

The Large Group PPO Manual Rating Filing represents proposed rates for Open Access Plus, PPO, Network, Indemnity, and retiree medical insurance products for large employer groups. Based on the entity-wide assessment above, and contingent upon GMCB actuary's finding that the proposed rate is not inadequate, DFR's opinion is that the proposed rate likely will have the impact of sustaining the current level of solvency of CHLIC.

Sincerely,

Michael S. Pieciak
Commissioner, Department of Financial Regulation