<u>Responses to Objections</u>

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Objection 1

Comment:

Please identify instances, if any, of deviations of more than 10% from the approved 2019 manual rate for large groups in this book of business. For each instance of +-10% deviation from the approved manual rate, what is the magnitude of the deviation that is attributable to factors other than group experience and credibility as detailed in the rate filing (i.e. to underwriting discretion and/or management decision)?

Response:

There were no deviations of more than 10% from the approved 2019 manual rate for large groups in this book of business

Objection 2

Comments:

Please complete the missing fields in the table below. Please also confirm that the completed field's values, taken from CHLIC's response last year, are accurate. GMCB-001-19rr, Response to Objection 3. Lastly, CHLIC has stated that it expects rates would have had a normal distribution in previous years if there were more cases. GMCB-001-19rr, Response to Objection 3. Please indicate whether CHLIC believes that there would be a normal distribution of rates for 2019 if there were more groups in 2019.

	Rate Averages			Rate Range		
Year/Type	Premium Weighted	Arithmetic Mean	Median	Rate High	Rate Low	Number of Groups
2016 All VT Groups	$552.28	$535.20	$553.84	$818.49	$295.88	73
2016 VT Fully Insured	$590.60	$545.38	$555.19	$818.49	$366.21	12
2017 All VT Groups	$533.76	$491.24	$480.39	$759.90	$276.32	80
2017 VT Fully Insured	$542.33	$498.48	$525.35	$629.38	$356.89	5
2018 All VT Groups	$557.73	$507.17	$503.10	$790.72	$214.76	76
2018 VT Fully Insured	$557.73	$528.70	$528.70	$579.75	$477.64	2
2019 All VT Groups						
2019 VT Fully Insured						

Response:

We have completed the below table. We confirmed that all the fields in last year's filing are the same except for the 2018 VT Fully Insured Weighted Premium which is $540.27

Cigna believes that there would be a normal distribution of rates for 2019 if there were more groups in 2019.

	Rate Averages			Rate Range		
Year/Type	Premium Weighted	Mean	Arithmetic Median	Rate High	Rate Low	Number of Groups
2016 All VT Groups	$ 552.28	$ 535.20	$ 553.84	$ 818.49	$ 295.88	73
2016 VT Fully Insured	$ 590.60	$ 545.38	$ 555.19	$ 818.49	$ 366.21	12
2017 All VT Groups	$ 533.76	$ 491.24	$ 480.39	$ 759.90	$ 276.32	80
2017 VT Fully Insured	$ 542.33	$ 498.48	$ 525.35	$ 629.38	$ 356.89	5
2018 All VT Groups	$ 557.73	$ 507.17	$ 503.10	$ 790.72	$ 214.76	76
2018 VT Fully Insured	$ 540.27	$ 528.70	$ 528.70	$ 579.75	$ 477.64	2
2019 All VT Groups	$ 582.33	$ 492.37	$ 483.67	$ 901.73	$ 281.49	75
2019 VT Fully Insured	$ 488.30	$ 483.89	$ 455.82	$ 544.69	$ 451.16	3

Objection 3

Comment:
Last year, the Office of the Health Care Advocate asked whether there are written guidelines for when and how underwriting or management discretion is applied and, if so, that said guidelines be provided. CHLIC responded that there are two factors that underwriters and management consider when exercising underwriting and/or management discretion. GMCB-001-19rr, Response to Objection 3. Please clarify whether CHLIC has written guidelines related to the exercise of underwriting and/or management discretion for this book of business. If written guidelines exist, please so state and provide any relevant written guidelines relating to the application of underwriting and/or management discretion.

Response:

Yes, we have guidelines and certain instructions for UW discretion – they are attached in the PDFs as part of the SERFF response. We have redacted the components that we believe are proprietary underwriting processes which if made public would give Cigna's competitors an opportunity to obtain unfair business advantage.

These steps are delineated by buyer group, and are differentiated by funding type. Historically, Cigna has competed with other carriers on the strength of its funding type flexibility. If these steps were to be made public, Cigna's competitors would have additional insight into how Cigna rates specific cases and could use that information to obtain an unfair competitive advantage, especially when client plans go out to bid. For these reasons, Cigna respectfully requests that the GMCB grant Cigna's request to keep these detailed steps confidential.

P&P 8892 referred to on page 2 of UAG is guidance around our large claim review process between nurses and UWs. We do not consider large claim review as pure underwriting discretion from the manual rate. Large claims are a standard item that is adjusted for whether claims are ongoing or not or the size of the large claims when it comes to experience rating.

Objection 4

Comments:
In narrative form, please summarize CHLIC's best projection related to the impact of Covid-19 on 2020 experience and retention for this book of business. In your response, please describe the extent to which CHLIC anticipates that the increased costs due to claims related to Covid-19 will be offset by decreases in cost due to a reduction in elective procedures and other care.

Response:

Nationally, we are forecasting that we might see similar retention or a slight uptick in persistency due to Covid-19. It is difficult to forecast the impact in VT specifically because most of the book of business has 1/1 effective dates so we have not yet seen noticeable behavior change.

Our current Covid-19 projected impact to experience on our VT book of business is that utilization dampening associated with elective deferrals will roughly neutralize the additional costs from Covid-19. This is a national assumption that applies to all accounts regardless of situs state. This projection is fluid and subject to change as the outbreak continues to spread.

Underwriting Adjustment Guidance

Updated 08/20/2018 08:39 AM | Content Code: 33850 | Content Owner: Brett McQuiggan

Updated to include Facets IDE

File Attachments

Adjustment Documentation and Tracking Process.doc *(35.5 KB)*

RBA_Concessions Grid_6150_8708 12.7.16.xlsx *(13.34 KB)*

Revisions to this topic appear in red.

Overview
Usage Guidelines
Compliance
Workflows

OVERVIEW

This P&P provides guidance on the Underwriting adjustments that are available on a case by case basis for either a risk based adjustment or an investment (profit) concession, for GC, Facets ASO Facets IDE and SR presale/renewal business. This P&P also provides guidance on the necessary steps when taking one of these adjustments from formula (previously referred to as target) within the rating applications, to accurately capture the adjustments that an Underwriter deems necessary.

Please refer to the attachment "RBA_Concessions Grid" for a detailed list of adjustments.

Please refer to the attachment "Training 01-2015- Risk Based Adjustments and Concessions" for the January 2015 training presentation.

USAGE GUIDELINES

This P&P applies to Over 500 and Under 500 Buyer Groups.

COMPLIANCE

For the underwriting and finance organization, it is critical that underwriters calculate and report adjustments accurately, consistently, and standardly. Many areas are impacted by the results of these decisions including strategic decision making, reporting, portfolio management, projection forecasting, state specific compliance reporting, pricing, etc.

WORKFLOWS

Risk Based Adjustments (RBA's)

The following section provides guidance on how Underwriters can determine if there is a risk based adjustment that is applicable for all funding types rated in iQuote for presales. Guaranteed Cost renewals, Facets ASO Renewals, Proclaim ASO renewals and Proclaim Shared Returns renewals. Additionally, this workflow also goes over other considerations that Underwriters have to keep in mind when taking a risk based adjustment, such as referencing the LOA grid to determine the appropriate level of authority.

Risk Based Adjustments are adjustments to projected claims based on account macro issues, additional data that is provided, or alternate methodology that supports the validity of the change to projected claims. When an Underwriter finds it appropriate to take a risk based adjustment based off their analysis of the case specifics, the Underwriter should document their thought process used to justify the modification to claims. Additionally, the Underwriter should provide a high level calculation for the value of the change that was taken. For RBAs, adjustments further refine the claim projection, are profit neutral, and are supported with data.

Why are RBA's important?

- Financial Impacts - Case level and book of business decisions are based on an accurate look at how that case or book of business is running. Having the best projection inclusive of RBA's is critical to this process
- Strategy decisions (locally and globally) - many broad market and local strategy decisions are based on how well we feel our book is positioned (are we running better or worse than expected?) If these indicators are not correct, incorrect decisions can be made.
- A "true" look at how the book of business is running - a formula projection produced by the rating applications is an automated systematic approach to pricing a case. Evaluation of case specific adjustments (RBA's) add the value of underwriting to that case.

Guaranteed Cost - Renewals

REDACTED

REDACTED

Presale - iQuote (Guaranteed Cost & Shared Returns):

REDACTED

Proclaim Shared Returns Renewals

REDACTED

Proclaim ASO - Presales/Renewals

*****This only applies to ASO accounts which include ASL/ISL (Aggregate Stop Loss/Individual Stop Loss)*****

REDACTED

Facets ASO - Presales/Renewals

Please refer to P&P 8892 for guidelines and examples of RBAs on Facets ASO Renewals.

REDACTED

Investment Concessions

The following section provides guidance on how Underwriters can determine if there is an investment concession that is applicable to be taken for all funding types rated in iQuote for presales, Guaranteed Cost and Facets ASO Renewals. and Proclaim Shared Return and Proclaim ASO renewals.

Investments are adjustments to the formula claim projection, expenses, profit, and/or CFC which have no supporting evidence or documentation that they should be adjusted. These investments are usually made to reach a certain price point for persistency or sale purposes. These adjustments should be documented and categorized as investments. For investments, adjustments take profit away and do not have data to support the decision.

Guaranteed Cost - Renewals

REDACTED

Presale - iQuote (Guaranteed Cost, Facets IDE & Proclaim Shared Returns):

REDACTED

Proclaim Shared Returns Renewals

REDACTED

Proclaim ASO - Presales/Renewals

*****This only applies to ASO accounts which include ASL/ISL (Aggregate Stop Loss/Individual Stop Loss)*****

UWs may need to adjust the claim projection without data to support the decision even if there are no LOAs for ASO investments. It is important to calculate the impact to the Aggregate Corridor Level for the adjustment to the

claim projection. The LOA for Aggregate Corridor Level should be based on effective corridor vs. the corridor in an PSE or RPM (i.e. not just the corridor number shown on the quote).
Here is an example:

- Risk Adjusted Projected Claims = $1,000,000
- 125% corridor = $1,250,000 minimum attachment point
- Underwriter "investment" discretion changes claims to: $950,000
- With 125% corridor, Underwriter quotes minimum attachment point of: $1,187,500
- Effective corridor = ($1,187,500 / $1,000,000) * 100 = 118.75%

ASO Facets - Presales/Renewals

REDACTED

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