

March 14, 2014

Mr. Alfred Gobeille, Chair
Green Mountain Care Board
89 Main Street, Third Floor, City Center
Montpelier, Vermont 05620

**Re: Solvency Impact of "2014 Large Group Rate Filing (SERFF # CCGP-129378424)"
of Cigna Health and Life Insurance Company**

Dear Mr. Gobeille:

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 ("CIGNA") and its recent filing for "2014 Large Group Rate 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 CIGNA. CIGNA is one of two health insurers operating in Vermont that are members of CIGNA Corporation, a holding company ("CIGNA Holding Company"). The solvency of CIGNA 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 CIGNA, 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 CIGNA.

Summary of Opinion

DFR is of the opinion that the proposed rate will not have a material impact on the solvency and surplus of CIGNA or CIGNA Holding Company. This opinion would not change if the recommendation made by GMCB's consulting actuary was implemented.

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.

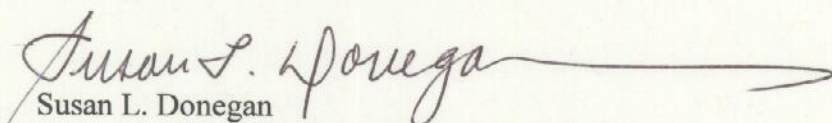
CIGNA Solvency Opinion

DFR is not the primary regulator of CIGNA. DFR does require CIGNA to meet Vermont's foreign insurer licensing requirements. Currently, CIGNA meets these licensing requirements. Further, DFR has reached out to CIGNA's primary regulators in Connecticut, and the regulators have not responded with any concerns about CIGNA's solvency. Finally, in 2013, all of CIGNA Holding Company's health operations in Vermont accounted for less than one percent of its total premiums earned. Thus, DFR has determined that CIGNA's Vermont health operations pose very little risk to its solvency, or to the solvency of CIGNA Holding Company.

Impact of the Filing on Solvency

The filing for "2014 Large Group Rate Filing" represents proposed rates for large groups renewing in 2014. Based on the entity wide assessment above, DFR's opinion is that the proposed rate will likely have no impact on CIGNA's solvency. GMCB's consulting actuary has issued a draft opinion that some of the assumptions in the filing have not been supported and recommending that the proposed rates be decreased.² DFR's opinion would not change if the recommendation made by GMCB's consulting actuary was implemented.

Sincerely,


Susan L. Donegan
Commissioner, Department of Financial Regulation

² Letter from Lewis & Ellis, Inc. to Green Mountain Care Board (March 4, 2014).