

State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
[Insurance] 800-964-1784
[Securities] 877-550-3907
www.dfr.vermont.gov

April 29, 2024

Chair Owen Foster
Green Mountain Care Board
144 State Street
Montpelier, Vermont 05620

Re: Solvency Impact of the “Large Group Only – PPO” Rate Filing (SERFF # CCGP-134009857) of CIGNA Health and Life Insurance Company

Dear Chair Foster:

This opinion fulfills 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 Only – PPO” 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 CHLIC. 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 then provides DFR’s opinion regarding the impact the filing could have on the solvency of CHLIC.

As the Board is well aware, the COVID-19 pandemic has brought a great deal of uncertainty to Vermont’s health insurance marketplace. Although the uncertainty surrounding COVID-19 has lessened due to development of an effective vaccine, treatment guidelines, and other factors, the long-term impact of COVID-19 is not fully known at this time and, therefore, neither is the impact on insurer solvency.

Summary of Opinion

The proposed rate filed by CHLIC would not negatively impact its solvency and the company otherwise meets Vermont’s financial licensing requirements for a foreign insurer.



Background

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.

The primary regulator for an insurance company is the insurance department for the state in which it is domiciled. Primary regulators have many tools at their disposal to monitor and ensure the solvency 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 1,500 insurance companies, including CHLIC, have a license to do business in Vermont, but are domiciled in other states.

Although not the primary regulator, Vermont law still requires DFR to protect consumers by supervising CHLIC in a manner that assures its solvency, liquidity, stability, and efficiency.¹ CHLIC is domiciled in Connecticut and is part of the CIGNA Health Group. DFR relies heavily on the financial analysis of the Connecticut Insurance Department for a solvency determination. In addition, DFR requires CHLIC to meet certain solvency-based criteria to procure and maintain a license to do business in Vermont. DFR employs various analytic measures to ensure these criteria are met.

CHLIC Solvency Opinion

- DFR has not learned of any solvency concerns from CHLIC's primary solvency regulator – the Connecticut Insurance Department.
- Further, CHLIC currently meets Vermont's foreign insurer licensing requirements.
- Finally, in 2023, all of CIGNA Health Group's operations in Vermont accounted for less than one percent of its total premiums written. DFR has determined that CHLIC's Vermont operations pose less risk to its solvency than its other business, assuming actuarial estimates produce rates that are not inadequate. Adequacy of rates and contribution to surplus are necessary for all health insurers to maintain strength of capital that keeps pace with claims trends.

Impact of the Filing on Solvency

In its filing CHLIC has requested that the Board approve an overall average rate increase of 9.6%. 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 will not have a negative impact on CHLIC's solvency.

¹ 8 V.S.A. § 10.

* * *

Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Gaffney". The signature is fluid and cursive, with the first name "Kevin" and last name "Gaffney" clearly distinguishable.

Kevin Gaffney
Commissioner of Insurance