



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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In the Matter of

CIGNA HEALTH AND LIFE INSURANCE COMPANY

No. 2017-0099-NYC

Respondent.

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CONSENT ORDER

WHEREAS, the Department of Financial Services (the “Department”) received complaints that Cigna Health and Life Insurance Company (hereinafter “Respondent”) was in violation of New York law by engaging in the improper practice of selling stop-loss and fully-insured health insurance policies out-of-state to New York-based small groups with employees in the state and where, in many cases, the solicitation and other activity occurred in New York.

WHEREAS, the Department requested Respondent to cease its practices because the Department was concerned such activities were in violation of New York law, and although the Respondent initially agreed, Respondent later resumed its practices.

WHEREAS, the Department conducted a targeted examination of Respondent’s selling of stop-loss and fully-insured health insurance policies out-of-state to New York-based small groups with employees in the state.

WHEREAS, the Department concluded that Respondent’s actions of issuing stop-loss and fully insured medical policies to certain groups outside of New York undermined New York’s

community-rated regulatory scheme, constituted an unfair trade practice, violated an Insurance Law prohibition on sales of stop-loss to small groups, and was an improper inducement to forum shop.

WHEREAS, the Department and Respondent are willing to resolve the matters cited herein in lieu of proceeding by notice and hearing.

NOW, THEREFORE, this Consent Order contains the Department's findings and the relief agreed to by the Department and Respondent.

BACKGROUND

1. Respondent is domiciled in Connecticut and is licensed as a life insurance company in New York. Pursuant to Insurance Law § 1113(a)(1) and (3), Cigna is authorized to write life and accident and health insurance in New York including stop-loss insurance, which may be sold to large group employers who self-fund underlying medical expenses, in order to mitigate liability for losses that result from an unexpected amount of claims. Respondent does not have fully-insured health insurance coverage products approved to sell to small groups in New York.
2. After receiving complaints in July 2016 about Respondent's sale of stop-loss and fully-insured health insurance policies to groups that would otherwise be part of New York's small group market, the Department requested that Respondent cease its practices. The Department also became aware that Respondent was issuing fully-insured health insurance coverage outside of New York to New York based small groups based on the fact that those small groups were incorporated outside of New York but where, in many cases, the solicitation and other activity occurred in New York. Insurance Law § 3231(h) prohibits the sale of stop-loss insurance policies to small groups, which if they purchased insurance, would otherwise be part of New York's small group market. Pursuant to Insurance Law Article 24, the Department has concluded that issuing fully-insured health insurance coverage and stop-loss insurance policies outside New York to evade New York's small

group community-rated market is an unfair trade practice. While Respondent initially agreed to the Department's request to cease its practices pending the Department's inquiry, Respondent later resumed its practices.

3. The Department conducted a targeted examination of Respondent. The investigation found that Respondent sold 81 group health insurance policies in violation of New York Insurance Law, specifically: (i) 38 stop-loss insurance policies to New York small groups seeking to self-insure; and (ii) 43 fully-insured health insurance policies to small groups as if they were selling to non-New York small groups.

FINDINGS

4. Respondent, for the time period of January 1, 2016 through January 1, 2017, violated:
 - a. Insurance Law Article 24 by issuing 43 fully-insured health insurance policies and 38 stop-loss insurance policies outside New York to evade the small group community-rated market in New York and adversely impacting the integrity of New York's small group risk pool;
 - b. Insurance Law § 3231(h) by applying Respondent's own rules under which 38 stop-loss insurance policies were issued outside of New York to small groups, which if they purchased insurance, would otherwise be part of New York's small group market;
 - c. Insurance Law § 3201 by delivering or issuing for delivery 81 policy forms, 3,151 certificates and premium rates which were not approved for use by the Department;
 - d. New York Technology Law § 309 and 11 NYCRR 243.2(a) and (b)(8) by Respondent's failure to obtain consent to deliver the policies electronically to New York policyholders and Respondent's lack of evidence that the policies it had delivered electronically in the State of New York had been actually received; and

- e. Insurance Law § 4224(c) by offering policyholders an improper inducement to forum shop by providing a choice of where to situs the policy irrespective of where the policy was actually issued, delivered or issued for delivery, and where, in many cases, the solicitation and other activity occurred in New York.
5. Respondent's violations during the aforementioned time period contravened New York Insurance Law and Regulations.

VIOLATIONS

6. By reason of the foregoing, Respondent violated: Article 24 of the New York Insurance Law, Sections 3231(h), 3201, and 4224(c) of the New York Insurance Law, New York Technology Law § 309, and 11 NYCRR 243.2(a) and (b)(8).

AGREEMENT

IT IS HEREBY AGREED AND ORDERED that Respondent and all of its subsidiaries, affiliates, successors, assigns, agents, representatives, and employees, shall comply with the following:

7. Respondent shall:
- a. Provide by December 1, 2017, written notices of non-renewal in a form approved by the Department, to all small groups that were issued coverage under the circumstances specified in paragraphs 4(a) and (b) above;
 - b. Provide the Department by December 1, 2017, with a detailed list of the names and addresses of all small group policyholders to whom written notices of non-renewal were sent and the dates upon which such notices were sent pursuant to (a) above;
 - c. When applicable, obtain consent to deliver policies electronically to New York policyholders; and

- d. Provide the Department by December 1, 2017, with a satisfactory written plan of action to address how the Respondent intends to comply with the records retention requirements set forth in 11 NYCRR 243 (Insurance Regulation No. 152) with respect to electronic delivery of policies.
8. Respondent shall also take all necessary steps to comply with the New York Insurance Law and Regulations with respect to its insurance products in the future. Within ninety (90) days from the date of Respondent's execution of this Consent Order, Respondent shall provide an up-to-date detailed summary of the corrective actions taken, or proposed to be taken in full compliance with this Consent Order.

MONETARY PENALTY

9. Within seven (7) days of the execution of this Consent Order, Respondent shall pay a civil penalty of Two Million Dollars (\$2,000,000.00). Respondent agrees that it will not claim, assert, or apply for a tax deduction or tax credit with regard to any U.S. federal, state or local tax, directly or indirectly, for any portion of the civil monetary penalty paid pursuant to this Consent Order.
10. The above referenced payment shall be payable to the New York State Department of Financial Services account at JPMorgan Chase Bank, N.A. via electronic transfer in accordance with the Department's instructions.

BREACH OF THE CONSENT ORDER

11. In the event that the Department believes Respondent to be materially in breach of this Consent Order ("Breach"), the Department will provide written notice of such Breach to Respondent and Respondent must, within ten (10) business days from the date of receipt of said notice, or on a later date if so determined in the sole discretion of the Department, appear before the Department and have an opportunity to rebut the evidence, if any, of the

Department that a Breach has occurred and, to the extent pertinent, to demonstrate that any such Breach is not material or has been cured.

12. Respondent understands and agrees that Respondent's failure to appear before the Department to make the required demonstration within the specified period as set forth herein is presumptive evidence of Respondent's Breach. Upon a finding of Breach, the Department has all the remedies available to it under New York or other applicable laws and may use any and all evidence available to the Department for all ensuing examinations, hearings, notices, orders, and other remedies that may be available under New York or other applicable laws.

OTHER PROVISIONS

13. If Respondent defaults on any of its obligations under this Consent Order, the Department may terminate the Consent Order, at its sole discretion, upon ten (10) days' written notice to Respondent. In the event of such termination, Respondent expressly agrees and acknowledges that this Consent Order shall in no way bar or otherwise preclude the Department from commencing, conducting, or prosecuting any investigation, action, or proceeding, however denominated, related to the Consent Order, against Respondent or from using in any way the statements, documents, or other materials produced or provided by Respondent prior to or after the date of this Consent Order, including, without limitation, such statements, documents, or other materials, if any, provided for purposes of settlement negotiations.
14. The Department has agreed to the terms of this Consent Order based on, among other things, representations made to the Department by Respondent and the Department's own factual examination. To the extent that representations made by Respondent are later found to be materially incomplete or inaccurate, this Consent Order or certain provisions thereof are voidable by the Department in its sole discretion.
15. Upon the request of the Department, Respondent shall provide all documentation and information reasonably necessary for the Department to verify compliance with this Consent Order.

16. All notices, reports, requests, certifications, and other communications to the Department regarding this Consent Order shall be in writing and shall be directed as follows:

If to the Department:

New York State Department of Financial Services
One State Street, 19th Floor
New York, NY 10004-1511
Attention: Scott Fischer, Executive Deputy Superintendent for Insurance

If to the Company:

Cigna Health and Life Insurance Company
900 Cottage Grove Road
Bloomfield, CT 06152-5026
Attention: Julia Huggins, President

With a copy to:

Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019
Attention: Andrew Holland, Esq.

17. This Consent Order and any dispute thereunder shall be governed by the laws of the State of New York without regard to any conflicts of laws principles.
18. Respondent waives its right to further notice and hearing in this matter as to any allegations of past violations up to and including the Effective Date and agrees that no provision of the Consent Order is subject to review in any court or tribunal outside the Department.
19. This Consent Order may not be amended except by an instrument in writing signed on behalf of all parties to this Consent Order.
20. This Consent Order constitutes the entire agreement between the Department and Respondent relating to the violations identified herein and supersedes any prior communication, understanding, or agreement, whether written or oral, concerning the

subject matter of this Consent Order. No inducement, promise, understanding, condition, or warranty not set forth in this Consent Order has been relied upon by any party to this Consent Order.

21. In the event that one or more provisions contained in this Consent Order shall for any reason be held invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Consent Order.
22. Upon execution by the parties to this Consent Order, no further action will be taken by the Department against Respondent for the conduct set forth in this Consent Order, subject to the terms of this Consent Order.
23. This Consent Order may be executed in one or more counterparts, and shall become effective when such counterparts have been signed by each of the parties hereto and So Ordered by the Superintendent of Financial Services.

CIGNA HEALTH AND LIFE INSURANCE COMPANY

By: Julia M. Huggins Dated: 11/10/17
Julia Huggins
President

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

By: Scott Fischer Dated: 11/14/17
Scott Fischer
Executive Deputy Superintendent for Insurance

THE FOREGOING CONSENT ORDER IS HEREBY APPROVED.

By: Maria T. Vullo Dated: 11/14/2017
Maria T. Vullo
Superintendent of Financial Services