REPORT ON EXAMINATION

OF

CIGNA HEALTHCARE OF NEW YORK, INC.

AS OF

DECEMBER 31, 2003

DATE OF REPORT	**DECEMBER 04, 2008**
EXAMINER	**FROILAN L. ESTEBAL**

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

David A. Paterson
Governor

Eric R. Dinallo
Superintendent

December 04, 2008

Honorable Eric R. Dinallo
Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the provisions of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 22091, dated September 11, 2003, attached hereto, I have made an examination into the financial condition and affairs of CIGNA HealthCare of New York, Inc., a for-profit health maintenance organization licensed pursuant to the provisions of Article 44 of the New York Public Health Law, as of December 31, 2003, and respectfully submit the following report thereon.

The examination was conducted at the offices of CIGNA HealthCare of New York, Inc. located at 900 Cottage Grove Road, Bloomfield, Connecticut and 145 East 45th Street, New York, New York.

Wherever the terms the "Plan" or "CHCNY" appear herein, without qualification, they should be understood to indicate CIGNA HealthCare of New York, Inc.

1. SCOPE OF EXAMINATION

This examination covers the six-year period from January 1, 1998 through December 31, 2003. Transactions occurring subsequent to this period were reviewed where deemed appropriate by the examiner. A previous examination of the financial condition and affairs of the Plan was conducted as of December 31, 1997. In addition, a market conduct examination reviewing how CHCNY conducted its business practices and fulfilled its contractual obligations to policyholders and claimants was conducted as of December 31, 2000.

The examination comprised a verification of assets and liabilities as of December 31, 2003, in accordance with Statutory Accounting Principles ("SAP"), as adopted by the Department, a review of income and disbursements deemed necessary to accomplish such verification, and utilized, to the extent considered appropriate, work performed by the Plan's independent certified public accountants.

A review or audit was also made of the following items as called for in the Examiners *Handbook of the National Association of Insurance Commissioners* ("NAIC"):

History of the Plan
Management and controls
Corporate records
Fidelity bonds and other insurance
Growth of Plan
Territory and plan of operation
Loss experience
Reinsurance
Accounts and records
Financial statements
Market conduct activities

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, rules or regulations, or which are deemed to require explanation or description.

A review was also made to ascertain what actions were taken by the Plan with regard to comments and recommendations made in the prior report on examination.

During this examination, a review of CHCNY's computer systems and related operations was conducted as of December 1, 2004 by Ernst and Young, as directed by the Insurance Department. The review focused on general internal controls with regard to CHCNY's information technology processing environment, as well as controls over specific applications. The results of this review are included in Appendix A to this report.

In addition, a separate special market conduct examination of CHCNY's underwriting and rating practices was conducted by the examiner as of September 30, 2004. That examination focused on CHCNY's rating practices for its large group experience rated business and also entailed a review of the compensation for agents and brokers involved with the selling of this product. A separate report commenting on the findings of this review was issued.

2. DESCRIPTION OF PLAN

The Plan is a for-profit health maintenance organization ("HMO"), licensed pursuant to the provisions of Article 44 of the New York Public Health Law, which commenced operations on October 1, 1986. It filed an application for a Certificate of Authority on May 14, 1985, which was granted by the New York State Department of Health, effective July 30, 1986. On July 1, 1987, the Plan attained Federal qualification under Title XIII of the Public Health Service Act, however, the Plan voluntarily relinquished its Federal qualification, effective July 1, 1995. The Plan provides health insurance services throughout New York State, principally managed care products and related services.

Effective June 20, 1991, the Plan's name was changed to CIGNA Health Plan of New York, Inc., and on July 1, 1992 its Certificate of Authority was amended to include the territories of Orange, Putnam, Rockland and Westchester counties. Subsequently, on September 10, 1993, the Plan's name was changed to CIGNA HealthCare of New York, Inc.

On December 18, 2000, the New York State Department of Health approved a merger of Healthsource HMO of New York, Inc., an affiliated company, into the Plan, effective June 30, 2001. The Plan is a wholly-owned subsidiary of Healthsource, Inc., which is a wholly-owned subsidiary of CIGNA Health Corporation ("CHC"), a subsidiary of CIGNA Corporation ("Corporation").

A. Management and Controls

Pursuant to its by-laws, management of the Plan is to be vested in a board of directors, consisting of not less than three, nor more than nine members, and each director must be at least eighteen years of age.

In addition, in accordance with the provisions of Part 98-1.11(f) of the Administrative Rules and Regulations of the Health Department (10 NYCRR 98-1.11(f)), no less than one third of the members of the board of directors shall be residents of the State of New York, and no less than one-fifth of the members shall be enrollees of the Plan. The Plan has complied with said Regulation.

A review of the minutes of the board of directors' meetings held during the period under examination indicated that two of the board members attended less than 50% of the meetings for which they were eligible to attend. Directors William Popik and William Schaffer attended only 40% and 47%, respectively, of the meetings they were eligible to attend.

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the Plan. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that appropriate policy decisions may be reached by the board. Individuals, who fail to attend at least one-half of the board's regular meetings, unless appropriately excused, do not fulfill such criteria.

It is recommended that board members who are unable or unwilling to attend meetings consistently should resign or be replaced.

It should be noted that Director William Popik resigned in 2003, while Director William Schaffer resigned subsequent to the date of this examination.

Section 312(b) of the New York Insurance Law states in part:

> "(b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report..."

It was noted during the examiner's review that the Plan's board of directors failed to receive a copy of the filed report on examination for the market conduct examination conducted as of December 31, 2000. The report was filed in August of 2003, however, the board members did not "sign-off" on the report until March of 2004; subsequent to the current examination request for signed affidavits showing that the Plan's board of directors was provided with the filed report. The signed affidavits of the board members were dated from March 25, 2004 to April 13, 2004.

It is recommended that the Plan's management comply with Section 312(b) of the New York Insurance Law by ensuring that each board member signs the requisite statement that (s)he has received and reviewed said examination report.

It is further recommended that the Plan's management have these statements signed in a timely manner, furnishing the board members with copies of reports on examination no later than the next regularly scheduled board meeting subsequent to the date the report is filed.

B. Circular Letter No. 9 (1999) – Adoption of Procedure Manuals

Circular Letter No. 9 (1999) - "Adoption of Procedure Manuals", dated May 25, 1999, was issued to Article 43 Corporations, Public Health Law Article 44 Health Maintenance Organizations and Insurers licensed to write health insurance in New York State. It states in part:

> "It is recommended that the board obtain the following certifications annually: (i) from either the company's director of internal audit or independent CPA that the responsible officers have implemented the procedures adopted by the board, and (ii) from the company's general counsel a statement that the company's current claims adjudication procedures, including those set forth in the current claims manual, are in accordance with applicable statutes, rules and regulations…
>
> Of equal importance is the adoption of written procedures to enable the board to assure itself that the company's operations in other key areas are being conducted in accordance with applicable statutes, rules and regulations…"

Circular Letter No. 9 (1999) imposes significant responsibilities on the management and board of directors responsible for the overall management and control of the Plan's operations. The directors of the Plan, must, under long-standing principles of corporate governance, confirm that the Plan is fulfilling all of its responsibilities.

The filed market conduct report on examination as of December 31, 2000, contained critical comments directed toward the Plan's immediate need to improve its management control structure as pertains to claims processing and other related areas. In addition, that report contained a comment that the board of directors of CHCNY, as well as the board of directors of its parent corporation should be reminded of their responsibility to ensure that necessary procedures be written, implemented and monitored, as required by Circular Letter No. 9 (1999).

CHCNY was unable to provide the examiner with the certifications required by the aforementioned Circular Letter for any year during the examination period. Further, the findings contained in this report substantiate that a number of the Plan's controls over certain procedures were significantly lacking.

It is recommended that the board of directors of CHCNY obtain the appropriate annual certifications required by Circular Letter No. 9 (1999).

In addition, the Plan did not submit a plan of corrective action in response to the comments and recommendations included in the prior financial condition report on examination as of December 31, 1997. It was noted that the current examination determined that the Plan was still not in compliance with several of the recommendations made in that prior report on examination.

It is recommended that the Plan submit a plan of corrective action to the Department in response to the comments and recommendations made in all filed reports on examination.

It is further recommended that the board of directors of CHCNY oversee the corrections and implementation of CHCNY's compliance with the recommendations made in all filed reports on examination.

The abovementioned issues and resulting comments and recommendations addressing the Plan's board are also directed to its corporate management and senior officers. The failure to respond to and comply with Insurance Department directives and examination findings is disconcerting.

At December 31, 2003, the Plan's board of directors consisted of five members, as follows:

Name and Residence	Principal Business Affiliation
William A. Schaffer, M.D. West Hartford, CT	Senior Vice President, National Medical Director, CIGNA HealthCare, Inc.
Michael P. Kavanaugh* North Merrick, NY	Financial Consultant, Merrill Lynch Consumer Markets
Joan L. Arena-Mastropaola Middle Village, NY	Provider Relations Manager, CIGNA HealthCare of NY, Inc.
Chui Lan Yuen, M.D. West Simfbury, CT	Vice President, CIGNA HealthCare, Inc
Kurt Allen Weimer** Greenwich, CT	President, CIGNA HealthCare, Inc.

* Enrollee representative - Part 98-1.11(f) of the Administrative Rules and Regulations of the Health Department (10 NYCRR 98-1.11(f)) requires that a minimum of twenty percent (20%) of the board of directors of an HMO be comprised of enrollee representatives. The Plan is in compliance with said Regulation.

** Subsequent to the examination period, Director and President Kurt Weimer resigned from his position effective February 9, 2004. The Board of Directors voted Joseph C. Gregor as the new president and member of the board of directors, effective the same date.

The principal officers of the Plan as of December 31, 2003 were as follows:

Name	Title
Kurt A. Weimer	President
Sandra Rivero Enriquez	Secretary
Lyn Marie Wytas	Vice President and Treasurer

C. Conflict of Interest Policy

During the examination period the Plan had a procedure to distribute conflict of interest questionnaires to its directors, employees and officers on an annual basis. It was noted that the Plan's policy is for these individuals to sign their respective questionnaires applicable to the year that passed, rather than for the current year (e.g. conflict of interest forms for the year 2003 were not signed until January or February of 2004), or when they are appointed to the board and/or hired as an employee.

During the review of the conflict of interest policy the examiner requested signed statements from the Plan's directors and officers for year-end 2003. The Plan, however, was not able to provide the examiner with conflict of interest statements from two of its officers. The two officers, Alan Marc Gottlieb and Cesar Ernesto Penaherrera, were included on the Jurat Page of the filed 2003 annual statement, however, these officers were terminated from the Plan in 2004 and the Plan failed to obtain signed conflict of interest statements from them for 2003. The Plan stated that they requested conflict of interest statements from these officers for 2003, however, since they were no longer with the Plan, the individuals felt that they were not obligated to sign the statements.

It is recommended that the Plan review and amend its current policy regarding conflicts of interest by having statements completed when the person is hired or appointed, and at least annually thereafter.

D. Territory and Plan of Operation

The Plan was granted a Certificate of Authority to operate a health maintenance organization ("HMO") in the five boroughs of New York City, as well as in the counties of Nassau, Suffolk, Orange, Putnam, Rockland and Westchester in New York State. It operates as an Independent Practice Association ("IPA") model HMO. An IPA is an organization that contracts with physicians and other providers of medical services, which then contracts with a managed care plan ("MCP") such as CHCNY, to make such services available to the MCP's enrollees. The Plan also enters into contracts directly with individual hospitals, physicians and other third party and affiliated health care professionals to provide health care services to its enrollees.

Enrollees are free to select any primary care physician ("PCP") affiliated with the Plan and to transfer from one PCP to another. All medical care received by the enrollee, including referrals to specialists and hospital care, are coordinated by the enrollee's selected PCP. As of December 31, 2003, the Plan covered 43,305 enrollees.

E. Reinsurance

At December 31, 2003, the Plan had an excess of loss reinsurance agreement in force with Connecticut General Life Insurance Company ("CGLIC"), an authorized affiliated insurer. Under the terms of the agreement, CGLIC agreed to indemnify the Plan for up to 80% of eligible hospital services, in excess of the deductible of $250,000, for each member, for each contract year. This agreement contained the standard clauses required by the Department, including an insolvency clause meeting the requirements of Section 1308 of the New York Insurance Law.

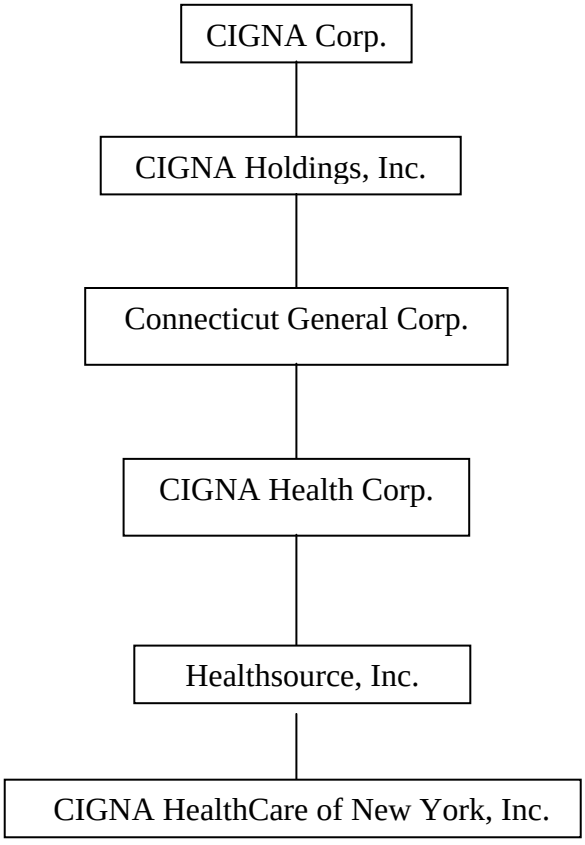
F. Holding Company System

CIGNA HealthCare of New York, Inc. was originally incorporated as Total Health HMO, Inc. ("Total Health") under the laws of the State of New York on April 24, 1985. However, Total Health was a de facto corporation beginning August 31, 1984 (date of inception). Total Health Systems, Inc. ("THS"), its parent at that time, was organized as a business corporation under the laws of the State of New York on October 23, 1985. Effective April 17, 1986, existing stockholders of Total Health transferred all of their shares of common stock to THS in exchange for common shares of THS, and accordingly, Total Health became a wholly-owned subsidiary of Total Health Systems, Inc.

On February 20, 1990, Equicor Health Corporation (Equicor) acquired all of the outstanding stock of Total Health Systems, Inc. Subsequently, on March 8, 1991, Total Health changed its name to CIGNA Healthplan of New York, Inc., which was later changed to CIGNA HealthCare of New York, Inc. In addition, effective July 1, 1991, Equicor was renamed CIGNA Health Corporation (CHC), which is currently the parent of the Plan. On December 18, 2000, the New York State Department of Health approved a merger of Healthsource HMO of New York, Inc., an affiliated company, and the Plan, effective June 30, 2001.

It should be noted that in 2002, the Insurance Department approved the repayment of $23,950,000 for a "Section 1307 Loan" to Healthsource HMO of New York, Inc., and the Department allowed the entire balance of accrued interest on this loan to be forgiven.

The following chart depicts the Plan along with its parent and other members of its holding company system as of December 31, 2003:



The relationship illustrated above makes the Plan a “controlled HMO” under the definition set forth in Part 98-1.2(n) of the Administrative Rules and Regulations of the Health Department (10 NYCRR 98-1.2(n)). The Plan filed the holding company documents required by Part 98.1-16(e) of the Administrative Rules and Regulations of the Health Department during the examination period.

As a controlled HMO, any transaction within the Plan's holding company system is subject to the guidelines of Part 98-1.10 of the Administrative Rules and Regulations of the Health Department. Part 98-1.10(c) of the Administrative Rules and Regulations of the Health Department (10 NYCRR 98-1.10(c)) states:

> "The commissioner's and superintendent's prior approval shall be required for the following transactions between a controlled HMO and any person in its holding company system: sales, purchases, exchanges, investments or rendering of services on a regular or systematic basis the aggregate of which involves 10 percent or more of the HMO's admitted assets at last year-end. Notice shall be required for such transactions of five percent or more."

Agreements between the Plan and members of its holding company system meeting the criteria of Part 98-1.10(c), detailed above, are subject to the requisite approval of/notification to the Commissioner of Health and the Superintendent of Insurance. During the period covered by this examination, the Plan had in force various agreements with members of its holding company system. A review of the agreements in effect during the period under examination revealed that two of the agreements were not filed with the New York Insurance Department. These agreements were with International Rehabilitation Associates, Inc. ("Intracorp") and CIGNA Behavioral Health Management Services ("CBH").

It is recommended that the Plan comply with Part 98-1.10(c) of the Administrative Rules and Regulations of the Health Department.

Subsequent to the date of this examination, the Plan filed the Intracorp and the CBH management services agreements with the Insurance Department.

It should also be noted that a management services agreement ("MSA") the Plan had with Connecticut General Life Insurance Company ("CGLIC") and CIGNA Health Corporation, in effect during the period covered by this examination, had been filed, but not yet approved by either the New York State Departments of Health or Insurance.

It is recommended that the Plan comply with the requirements of Part 98-1.10(c) of the Administrative Rules and Regulations of the Health Department and refrain from implementing a management services agreement prior to obtaining the requisite approval from the Departments of Health and Insurance.

Subsequent to the examination date, this agreement was approved by the Department of Health.

G. Abandoned Property Law

Sections 1315 and 1316 of the New York Abandoned Property Law require that certain unclaimed insurance proceeds and other unclaimed proceeds be reported to the Office of the State Comptroller by April 1st of each year. The examiner's review of the Abandoned Property Reports filed by CHCNY for the years under examination uncovered the following (it should be noted that similar findings were made in the prior financial report on examination):

- The Plan failed to comply with the proper cut-off for the reporting of abandoned property on its verification and checklist report that it filed with the office of the (NY) state comptroller. Over 50% of the unclaimed funds as of the exam date were over three years old and should have been included in prior submissions; some of the unclaimed funds dated back over 5 years.
- There were 360 unknown payees included in the submissions for the

period covered by this examination. For these individuals, there were no names and addresses listed in the filed report.

- During the period covered by this examination the Plan did not publish a list of names for such unclaimed funds as prescribed by Section 1316 of the Abandoned Property Law.

It is recommended that the Plan abide by the prescribed year-end cut-off period when filing its Verification and Checklist Report of Abandoned Property with the New York State Comptroller.

It is also recommended that the Plan maintain sufficient documentation to allow for the proper identification of all payees reported on its filed Verification and Checklist Report of Abandoned Property escheated to the Office of the State Comptroller of the State of New York.

It is further recommended that the Plan publish its unclaimed funds in accordance with the requirements of Sections 1315 and 1316 of the New York Abandoned Property Law.

H. Location of Records

Part 98-1.11(a) of the Administrative Rules and Regulations of the Health Department (10 NYCRR 98-1.11(a)) states in part:

> "…all records pertaining to the article 44 certified HMO shall be maintained in New York State."

It should be noted that although Part 98-1.11(a) of the Administrative Rules and Regulations of the Health Department requires that all records pertaining to an Article 44 certified HMO be maintained in New York State, as a matter of policy, the Department of Health

has permitted multi-state operating HMOs to centralize certain functions at locations outside New York State, provided that all records required by New York State regulators be made available at a location within the State of New York.

CHCNY's filed 2003 annual statement showed the Plan's statutory home office as being located at 499 Washington Boulevard, Jersey City, New Jersey. It also stated that the primary location of the Plan's books of account and administrative records were at the same site. However, the Plan did not maintain its financial and corporate records at the Jersey City home office, nor the Plan's office located at 145 East 45th Street, New York, New York. CHCNY's books of account and administrative records were maintained at 900 Cottage Grove Road, Bloomfield, Connecticut.

It is recommended that the Plan maintain, at a minimum, copies of its annual statements, and other pertinent financial and corporate records at its statutory home office, pursuant to the requirements of Part 98-1.11(a) of the Administrative Rules and Regulations of the Health Department.

It is also recommended that the Plan accurately reflect the actual location of the Plan's books and records in its filed annual statement.

I. Accounts and Records

During the course of the examination, it was noted that the Plan's treatment of the following items was not in accordance with Statutory Accounting Principles, annual statement instructions and/or Department guidelines:

1. During the examiner's review of the Plan's response to an examination request, it was noted that the Plan references claim payment processing accuracy benchmarks that were combined with the statistics from other affiliated entities. CHCNY personnel told the examiner that such separate statistics exist for CHCNY, however, no documentation was provided to support the assertion. This combined analysis prevented the examiner, as well as the Plan's management, from reviewing and analyzing claim payment processing accuracy details specific to the Plan.

Part 98-1.11(a) of the Administrative Rules and Regulations of the Health Department (10 NYCRR 98.11(a)) states in part:

> "The HMO functions shall be clearly distinguished from any other functions through maintenance of separate records, reports and accounts for the HMO function…"

It is recommended that the Plan comply with Part 98-1.11(a) of the Administrative Rules and Regulations of the Health Department and develop a method to collect claims data pertaining solely to CHCNY. It is further recommended that this data be reviewed by the Plan's management on a regular basis.

2. A review of the Plan's custodian agreement showed that the agreement has not been changed to reflect the custodian's current corporate name. The custodian in the agreement,

effective in 1990, is Chase Manhattan Bank ("Chase"), however, Chase merged with JP Morgan, and the resulting corporate entity was named JPMorgan Chase.

It is recommended that the correct name of the custodian be reflected in the Plan's custodian agreement and in its annual statements filed with the Department.

Further, the aforementioned custodian agreement provided to the examiner did not contain the following protective covenant required by Department guidelines:

> "The bank shall have in force, for its own protection, Bankers Blanket Bond Insurance of the broadest form available for commercial banks and will continue to maintain such insurance. The bank will give the insurer 60 days written notice of any material change in the form or amount of such insurance or termination of this coverage."

It is recommended that the Plan amend its custodian agreement to include the above mentioned provision.

3. During the review of Schedule E (Part 1 - Cash) of the Plan's 2003 annual statement, it was revealed that some of the accounts did not reflect the correct names of the financial institutions listed and/or the correct account balances. Specifically, the Plan reported cash balances at Bankers Trust for one of the Plan's operating accounts, however, Bankers Trust was acquired by Deutsche Bank in 2000, and thus Deutsche Bank should have been the name of the bank reflected in Schedule E. In addition, a review of the reconciliation of the Deutsche Bank account revealed that cash balances from other institutions were initially incorporated in it.

It is recommended that the Plan reflect the proper names and correct balances for all financial institutions listed in Schedule E of its annual statements filed with this Department.

4. Department Regulation No. 133 (“Letters of Credit”) requires that Letters of Credit (“LOC”) contain certain clauses and meet prescribed standards. The Plan contracts with five (5) third party administrators on a “capitated” (prepaid) basis, to provide various medical services for the Plan’s subscribers. In order to comply with the requirements of Department Regulation No. 164 (“Standards for Financial Risk Transfer between Insurers and Health Care Providers”) with regard to these risk-sharing arrangements, the Plan has in place five separate LOC from these third parties, whereby CHCNY is the stated beneficiary. The Letters of Credit are for the Plan’s protection and can be drawn upon in the event that the intermediaries fail to pay the providers, or other reasons stated in the contracts.

A review of the Letters of Credit from the five intermediaries revealed that all five were missing some of the clauses required by Department Regulation No. 133. The required clauses found to be missing from the LOC were as follows:

- A statement indicating it is clean and unconditional;
- A statement that it is not subject to any agreement, condition or qualification outside of the letter of credit;
- A term of at least one year; and
- A statement that it is subject to and governed by the laws of the state of New York, and that in the event of a conflict the Laws of New York will control.

It is recommended that the Plan ensure that all Letters of Credit issued on its behalf contain all of the clauses required by Department Regulation No. 133.

5. Paragraph 18 of Statement of Statutory Accounting Principles (“SSAP”) No. 54, states in part:

> "…For purposes of determining if a premium deficiency exists, contracts shall be grouped in a manner consistent with how policies are marketed, serviced and measured. A liability shall be recognized for each grouping where a premium deficiency is indicated. Deficiencies shall not be offset by anticipated profits in other policy groupings..."

The Plan reported a premium deficiency reserve ("PDR") of $3,500,000 at December 31, 2003. The examiner's review of this account revealed that the entire amount was obtained using the aggregate reserve of all lines of business combined. Specifically, CHCNY allocated the PDR evenly over all lines of business, using a per member per month ("PMPM") amount. Thus, CHCNY did not appear to abide by the precise methodology prescribed by SSAP No. 54 in determining its premium deficiency reserve. An allocation for each line of business or other grouping reflecting the actual loss ratio and underwriting gains/losses should have been utilized. No change was made to the financial statements contained herein for this item.

It is recommended that when determining a premium deficiency reserve the Plan comply with the requirements of SSAP No. 54 and recognize a liability for each policy grouping where a premium deficiency is indicated.

6. The Plan's cash account included an investment in the CIGNA Funds Group Mutual Fund ("Fund"), managed by Times Square Capital Management, Inc. ("Times Square"), which is a wholly-owned subsidiary of CIGNA Corporation. A review of the Fund revealed that senior management of Times Square was the same senior management of the Fund. Based upon the overlapping ownership and related officers and directors of the Fund, the Fund could be deemed to be an investment in an affiliate.

Section 1407(a)(4) of the New York Insurance Law states in part:

> "(a) Any insurer that makes investments under the authority of subsection (c) of section one thousand four hundred three of this article and meets the requirements of such subsection (c) and section one thousand four hundred two of this article may invest in, or otherwise acquire or loan upon, directly or indirectly, any of the types of investments described in section one thousand four hundred four of this article, but without having to meet the applicable qualitative standards or quantitative limitations which are set forth in subsection (a) of section one thousand four hundred four of this article, except the following prohibited investments:
> (4) Obligations, shares or other securities (including certificates of deposit) issued by a parent corporation or a corporation which is an affiliate or will be an affiliate after direct or indirect acquisition by the insurer..."

It is recommended that the Plan adhere to the requirements of Section 1407(a)(4) of the New York Insurance Law and not invest in any obligations, shares or other securities of an affiliate.

Subsequent to the examination date (March 2005), the Fund was dissolved.

Additionally, the CIGNA Funds Group investment was not segregated properly in the Plan's filed 2003 annual statement. The NAIC annual statement instructions provide that cash, cash equivalents and short-term investments be stated separately. The investment in CIGNA Funds Group was included as a cash account in Schedule E of the filed annual statement; however, the account met the definition of a short-term investment and thus should have been listed in Schedule DA of the Plan's filed annual statement.

It is recommended that the Plan follow the NAIC instructions with regard to proper reporting of its cash and short-term investments in its annual statements filed with this Department.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following compares the assets, liabilities and net worth as determined by this examination as of December 31, 2003. This statement is the same as the balance sheet filed by the Plan.

Assets	Examination	Plan
Current assets		
Cash and cash equivalents	$ 8,357,111	$ 8,357,111
Premiums receivable	8,374,493	8,374,493
Investment income receivable	811,039	811,039
Amounts due from affiliates	401,741	401,741
Other receivables	13,268	13,268
Total current assets	$ 17,957,652	$ 17,957,652
Other assets		
Amount recoverable from reinsurers	$ 255,786	$ 255,786
Bonds	53,362,158	53,362,158
Deferred tax asset	3,331,322	3,331,322
Total other assets	$ 56,949,266	$ 56,949,266
Total assets	$ 74,906,918	$ 74,906,918

Liabilities	Examination	Plan
Current liabilities		
Claims payable	$ 38,436,205	$ 38,436,205
Accrued medical incentive pool	199,999	199,999
Claims adjustment expenses payable	1,269,994	1,269,994
Aggregate health policy reserve	3,500,000	3,500,000
Unearned premiums	914,817	914,817
General expenses	168,616	168,616
Amounts due to affiliates	1,367,882	1,367,882
Federal income tax liability – current	3,355,676	3,355,676
Total current liabilities	$ 49,213,189	$ 49,213,189
Other liabilities		
Escheatable funds	212,931	212,931
Aggregate write-ins	88,000	88,000
Total liabilities	$ 49,514,120	$ 49,514,120
Net worth		
Common stock	974,950	974,950
Paid in surplus	51,559,243	51,559,243
Contingent reserves	10,010,360	10,010,360
Escrow deposit	389,153	389,153
Retained earnings/fund balance	(37,540,908)	(37,540,908)
Total net worth	$ 25,392,798	$ 25,392,798
Total liabilities and net worth	$ 74,906,918	$ 74,906,918

Note 1: The Internal Revenue Service has completed its audits of the consolidated income tax returns filed on behalf of the Plan through tax year 1999. Any material adjustments made subsequent to the date of examination and arising from said audits are reflected in the financial statements contained herein. The Plan stated that there were no substantial findings or penalties imposed from the audit. For the years subsequent to this audit, the examiner is unaware of any potential exposure of the Plan to any further tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Revenue, Expenses and Net Worth

Net worth increased by $14,242,397 during the six-year examination period from January 1, 1998 through December 31, 2003, detailed as follows:

Revenue		
Premiums earned	$ 1,003,306,411	
Other healthcare income	23,792,222	
Net investment income	16,949,259	
Other income	69,054	
Realized capital gains	565,799	
Total revenue		$ 1,044,682,745
Medical and hospital expenses		
Medical and hospital benefits	$ 436,598,785	
Other professional services	213,775,484	
Outside referrals	52,017,321	
Emergency room	11,900,442	
Prescription drugs	60,084,803	
Other medical and hospital	76,776,289	
Reinsurance recoverable	(4,672,910)	
Total medical and hospital expenses	846,480,214	
Administrative claims adjustment expenses	29,159,684	
General administrative	131,553,263	
Total expenses		1,007,193,161
Net income before federal income taxes		$ 37,489,584
Provision for federal income taxes		(16,827,863)
Net income		$ 20,661,721

Changes in Net Worth

Net worth per report on examination as of December 31, 1997			$ 11,150,401
	Gains in Net Worth	Losses in Net Worth	
Net income	$ 20,661,721		
Change in retained earnings	16,798,733		
Change in deferred income tax	9,617,345		
Change in non-admitted assets		$ 16,048,122	
Change in contingency reserves		554,250	
Cumulative effect in changes in accounting principle		9,770,604	
Change in paid in capital		314,290	
Aggregate write-ins for change in Surplus	6,144,667		
Change in surplus through merger*	14,555,867		
Change in paid-in surplus	1,154,889		
Surplus notes		28,003,559	
Net increase in net worth			$ 14,242,397
Net worth per report on examination as of December 31, 2003			$ 25,392,798

* On June 30, 2001, Healthsource HMO of New York, Inc. merged into CHCNY. All prior year numbers on the financial statements have been restated to reflect both companies.

4. CLAIMS PAYABLE

The examination liability of $39,706,199 for the captioned account is the same as the amount reported by the Plan in its filed annual statement as of December 31, 2003. The examination reserve was based upon actual payments made subsequent to the examination date, with an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized the Plan's past experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2003. The examination analysis of the unpaid claims reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Plan's internal records and in its filed annual statements as verified during the examination.

The Plan's claims processing function is divided amongst three distinct claims processing systems, with the largest number of claims processed by the MEDICOM ("National") system, followed by the Endstate system, and then the AMISYS system. A review of paid claims by the examiner included the sampling of "cells" selected from paid claims "lag triangles" from each of the aforementioned processing system, as provided by the Plan. During the review of the MEDICOM system lag cells, the examiner noted that a portion of the claims within the cell could not be properly identified to a specific CIGNA entity.

The Plan stated that these claims were part of MEDICOM's "Seamless" product, whereby the system could not properly determine which specific health plan this (unidentifiable) portion of the claims belong to. The unidentified claims aggregate totals were allocated to each of CIGNA's health plans within the Seamless network using each health plans' historical

analysis. For the reviewed sample, the allocation of all of the unidentified claims to the Plan was not material and represented about 5% of the "Seamless" claims ($80,513 allocated to the Plan out of a total of $1,605,259 unidentified), thus no change was made to the financial statements contained herein.

It is recommended that in regard to its "Seamless" product, the Plan improve MEDICOM's capabilities to properly classify and distinguish all applicable claims, so that the actual health plan subject to the claim can be identified and claims can be properly allocated.

It is further recommended that the Plan review all claims processed using its "Seamless" product.

Subsequent to the examination date, the Plan began migrating membership from the MEDICOM ("National") Platform to its "Endstate" Platform. As of December 31, 2007, all membership resided on the Endstate Platform.

5. SUBSEQUENT EVENT

CHCNY submitted a plan to withdraw from the New York HMO market. This plan was approved by the Department, thus, effective December 31, 2009, CHCNY will no longer have members. Starting January 1, 2010 a two year period will ensue, during which the Plan will wind down its operations.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report contained seven comments and recommendations as follows (page numbers refer to the prior report):

ITEM NO.		PAGE NO.
	Description of the Plan	
1.	During a review of corporate records, the examiner determined that on April 15, 1996, CHCNY submitted a letter accompanied by the requisite resolution of the Board of Directors to the Office of Managed Care to voluntarily relinquish its federal HMO qualification effective July 1, 1996. Approval of this request was granted on July 1, 1996. However, the Plan continued to report on its filed Annual and Quarterly Statements that it was a federally qualified HMO. When this matter was brought to management's attention, the original date of federal qualification along with a footnote which indicated that the Plan had "relinquished (its) federal qualification effective, July 1, 1996" was included on the jurat page of the September 30, 1998 quarterly Statement. The Plan has complied with this recommendation.	3-4
	Management	
2.	A review of the minutes of the Board of Directors' meetings held during the period under examination indicated that such meetings were generally well attended. However, the examiner noted that during the period January 1, 1995 to November 16, 1997, CHCNY did not have any enrollee representatives on its Board of Directors. On November 17, 1997 the Plan elected Mr. Michael Kavanaugh as the enrollee representative on the Board of Directors. A review of the minutes of the meetings of the Board of Directors held through April 6, 1998 indicated that Mr. Kavanaugh has attended or participated in less than 50% of the meetings he was eligible to attend.	4-5

ITEM NO. **PAGE NO.**

Management

Members of the board have a fiduciary responsibility and must evince an ongoing interest in the affairs of the insurer. It is essential that board members attend meetings consistently and set forth their views on relevant matters so that appropriate policy decisions may be reached by the board. Individuals who fail to attend at least one-half of the board's regular meetings, unless appropriately excused, do not fulfill such criteria. Board members who are unable or unwilling to attend meetings consistently should resign or be replaced.

The Plan did not comply with this recommendation. A similar recommendation is contained herein.

Investments 10

3. It is again recommended that the Plan comply with the provisions of Section 1411(a) of the New York Insurance Law and that the Board of Directors ratify the purchase and sale of investments of the HMO made by CIGNA Investments, Inc.

The Plan has complied with this recommendation.

Abandoned Property

4. It is recommended that the Plan indicate the correct year-end cut off on the filed Verification and Checklist report of abandoned property held or owing pursuant to the New York Abandoned Property Law. 11

The Plan did not comply with this recommendation. A similar recommendation is contained herein.

5. It is recommended that the Plan provide sufficient documentation to enable the proper identification of the 128 unknown payees reported on the filed 1997 Verification and Checklist report of abandoned property escheated to the Office of the State Comptroller of the State of New York. 12

The Plan did not comply with this recommendation. A similar recommendation is contained herein.

ITEM NO. **PAGE NO.**

Conflict of Interest

6. It is recommended that the Plan distribute conflict of interest statements to all officers and members of the Board of Directors on a yearly basis. 12

The Plan has complied with this recommendation. However, a comment regarding the Plan's conflict of interest policy is contained herein.

Section 1307 Loans

7. It is again recommended that the Plan defer recognition of interest expense on any Surplus Notes issued pursuant to Section 1307(c) New York Insurance Law until it receives the approval of the Superintendent of Insurance for the payment of such interest. 16 - 17

The Plan is in compliance with this recommendation as the surplus notes have been paid in full.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

G. Accounts and Records

H. Claims Payable

ITEM **PAGE NO.**

ii. It is further recommended that the Plan review all claims processed using its “Seamless” product. 28

Subsequent to the examination date, the Plan began migrating membership from the MEDICOM (“National”) Platform to its “Endstate” Platform. As of December 31, 2007, all membership resided on the Endstate Platform.

APPENDIX A

INFORMATION SYSTEMS REVIEW

Examination Date: December 1, 2004

TABLE OF CONTENTS

1. SCOPE AND OBJECTIVES OF EXAMINATION

A review of CHCNY's computer systems and related operations was conducted by Ernst and Young ("E&Y") as of December 1, 2004. The review focused on general internal controls with regard to CHCNY's information technology processing environment, as well as controls over specific applications. CHCNY shares an information system with members of its holding company system, referred to herein as CIGNA HealthCare.

Information Technology ("IT") at CIGNA HealthCare ("CIGNA") is used for the delivery of services and products, and to provide support for all management processes. The objective of this information systems review and IT control evaluation is to assist the New York State Department of Insurance ("the Department") in developing a risk-based strategy for setting the financial examination scope, and in identifying the appropriate procedures necessary to support the overall examination strategy. In order to accomplish this objective the general controls regarding CIGNA's processing environment and certain controls over the applications that were determined to be financially significant were reviewed. The general controls examined were identified through discussions with CIGNA's IT management and a review of CIGNA's control documentation.

This is not an attest report prepared in conjunction with the standards of the American Institute of Certified Public Accountants. This report provides information about the condition of risks and internal controls at a single point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

Given the complexity of CIGNA's information technology environment, the review was focused on financially significant applications and related technology platforms. Based on discussions with CIGNA's management and a detailed analysis of CIGNA's business processes, E&Y identified the following systems and applications to be financially significant and deemed them to have the most impact on New York policyholders:

- AMISYS – a stand-alone claims processing system that contains New York claims.
- PMHS – an on-line and batch adjudicator of claims and monthly capitation applications. PMHS processes claims and capitation payments for New York claims.
- CARBS – an application that provides a "front-end" billing system which allows users to "build" billing statements and to schedule those statements for production.
- The National System ("National") – a Legacy-based managed care engine which stores eligibility data, structures information, processes electronic payments to providers, pays capitation, sends and receives feeds from various critical applications, and produces bills for premium payments. National also processes capitation, membership, ID cards, and billing for the New York business.
- MEDICOM – a critical claims payment system which processes New York claims and calculates the New York Health Care Reform Act ("NYHCRA") surcharge amounts.
- Oracle/GL – CIGNA's general ledger system, which allows for the accessing, updating and reporting of CIGNA's financial information. CHCNY's financial data is captured and reported on the Oracle/GL.

The above applications reside on the following platforms:

- Mainframe (National, MEDICOM, CARBS);
- Client-server (Oracle); and

- Midrange (AMISYS, PMHS).

2. CONTROLS AND RISK AREAS

The general controls reviewed during this examination consisted of fourteen (14) categories. These fourteen categories can be grouped into the following three (3) risk areas:

1. Management risks - associated with supporting IT management processes;
2. Transaction risks - associated with service or product delivery; and
3. Infrastructure risks - associated with IT hardware and software supporting business processes.

The above general control categories, grouped by risk area, are described in detail as follows:

Management Risks:

- Management controls over CIGNA's IT department – delivery of services and products and support for IT management processes.
- Organizational controls over CIGNA's IT department – adequacy of resources and separation of duties between application development and maintenance, computer operations and data entry.
- Documentation controls over applications – appropriate documentation for new applications and changes.
- Contingency planning controls – a valid disaster recovery plan and the plan covers the applications identified as critical by the Department. The disaster recovery plan is tested and is integrated with an overall business resumption plan. Also, critical data is stored in a secured manner.
- Personal computers – are utilized in an appropriate manner without exposing the Plan to unnecessary (financial) risk.
- Service agreements – with outside vendors cover provisions for loss of data and processing ability that could affect output of data.

Transaction Risks:

- Processing controls over critical applications - data is transmitted completely and accurately, input edits are working as intended and detected errors are corrected.

- Converted systems – transactions processed on newly developed or converted systems may not work as intended and errors can occur.

Infrastructure Risks:

- Controls over changes to applications – users and IT department personnel approve modifications before they are implemented into the production environment.

- Controls over system and application programming and development – application programming and development/modifications are performed in a controlled manner and are adequately tested before they are moved into production.

- Operations controls – performance and problem resolution are monitored and the data center processes company information in a controlled manner. Also, the procedures for handling critical data and the scheduling of critical computer programs are monitored and controls are in place to maintain an environmentally secure data center.

- Logical and physical security – employees are granted access to only the information they need to perform their assigned job duties and computing resources are adequately protected so that access is restricted to appropriate personnel.

- Local Area Networks (LANs) – changes to the LANs are documented and implemented in a controlled manner and access to the LANs is granted for business purposes only.

- Wide Area Networks (WANs) – changes to the WANs are properly documented and sensitive financial data transmitted on the WANs is adequately protected.

3. SUMMARY OF SIGNIFICANT FINDINGS

The audit testing performed by Ernst and Young ("E&Y") resulted in the following findings and recommendations to CIGNA's information technology ("IT") management:

A. PMHS - Change Management Segregation of Duties - Description and Risk

Through change management testing, it was noted that PMHS' development, testing and production environments were not properly segregated. PMHS was originally a vendor software package in which the vendor owned the source code. PMHS uses two change management software tools to move changes from the different environments. All custom changes made to PMHS were managed through "Implementer". In February 2004, CIGNA purchased the source code from the vendor and implemented "Aldon" to manage all changes to the source code. Currently, CIGNA still uses Implementer for custom changes and Aldon for all source code changes. The change management process and approvers for each are the same.

CIGNA conducts a *Production Source Code Compare* process on a weekly and on-demand basis in order to reconcile PMHS source code and objects in production to development and test environments. This reconciliation is conducted independent of the programming function.

In order to test that Implementer and Aldon had proper segregation of duties, a listing of individuals who have access to Implementer and Aldon was reviewed, along with their associated authorities/access within the tool(s). It was found that Implementer and Aldon had 11 individuals that were assigned to authorities that gave them the ability to move a change from each of the development, test and production environments. PMHS was not properly segregated for change management, therefore, a risk exists that problems could be introduced into the "live environment" or transactions could be inaccurately processed.

Based on the results of the above testing, CIGNA conducted a review of the work performed by the eleven individuals that were identified and found that these individual's activities were appropriately performed.

It is recommended that individuals who have access to the authorities in Implementer and Aldon not have the ability to move changes from the development, test and production environments, to a live environment.

B. LAN - Logical Security Controls - Description and Risk

Through testing, E&Y noted that CIGNA's management could not provide evidence indicating that new user access was properly requested and approved. New user access to the LAN is assigned via a service connection request ("SCR"). SCR is a form used by all CIGNA personnel to submit a revision (move, add, change or delete) to user accounts and email. This form is available via CIGNA's Intranet. Once access revision is requested using a SCR, it is sent to a manager for approval. SCRs are maintained for a period of 13 months.

A sample of twenty-five employees was selected by E&Y, the following was noted:

- In three instances it was noted that for Intracorp's (an affiliate of CHCNY) newly hired employees, supporting documentation for request and approval of a SCR was not provided.
- In two instances the SCR requests and approvals could not be found.

It is recommended that CIGNA's management maintain all documentation of SCR requests and approvals to the LANs. Further, it is recommended that CIGNA's management ensure that all personnel, including contractors, vendors or employees of affiliated companies, follow SCR procedures to gain access to the LANs.

C. CARBS - Logical Security Controls - Description and Risk

CARBS new user access is requested via a form obtained via CIGNA's Intranet. Through testing, E&Y selected a sample of CARBS' users and noted that management could not provide evidence that the new user access was properly requested and approved. There were three managers who possessed the authority to give access to CARBS. It should be noted that management did not retain all of the documentation requesting and approving access. In instances where the documentation was not available, the last recertification of all users to CARBS was requested by E&Y.

CIGNA stated that in the past, CARBS remediation for users had been conducted in an ad hoc manner and not through a standardized process. It should be noted that a full user remediation and testing for application level security of CARBS was in the process of being completed during E&Y's walkthrough. In instances where documentation was not available, management attempted to conduct a recertification of the selected sample with the users' manager.

A sample of twenty-five employees was selected and the following was noted:

- In thirteen instances the manager correctly validated access, but there was no supporting documentation for the request and approval of access.
- In four instances where the manager stated that the access was no longer necessary for the user, there was no documentation for request and approval of access.
- In one instance there was no manager validation or documentation of the request and approval of access. The user stated that access was no longer required.
- In another instance, the manager stated that the user should not have had access to CARBS.
- There was one exception where all of the documentation was missing.

It should be noted that exposures such as those noted above increase the risk that critical transactions could be inappropriately processed. It also reduces the Department's ability to rely upon the overall integrity of the data.

It is recommended that CIGNA's management retain all supporting documentation, either the request form or email, of user requests and approvals. In addition, access to CARBS should not be given unless the request form or email has been approved. Also, the process for user recertification should be standardized and conducted on a periodic (e.g. quarterly/annual) basis. Further, management should implement a process by which terminated employees or users that change assignments are terminated as active users on CARBS.

D. PMHS - Segregation of Duties Within the Application - Description and Risk

E&Y's review of the work papers prepared by CIGNA's independent certified public accountant, PriceWaterhouseCoopers ("PWC"), in regard to PWC's preparation of its 2003 Statement on Auditing Standards No. 70 (*Service Organizations*) and their related test work conducted on PMHS, found that some users possessed provider access to PMHS that was deemed inappropriate. PWC selected a sample of thirty PMHS users to verify if their access was appropriate.

It was noted that three users had provider access that was in excess of the needs required by their job responsibility. These users had the capability to update provider information such as changing provider names and addresses. This exposure increases the risk that critical transactions could be inappropriately processed, and reduces reliance upon the overall integrity of the data.

It is recommended that management conduct periodic (e.g. quarterly/annual) re-certifications of all PMHS users and verify that their access is appropriate for their given job responsibilities. Additionally, management should ensure that PMHS access is assigned to new users via the SCR process previously described.

E. AMISYS - Logical Security Controls - Description and Risk

Through testing, E&Y noted that CIGNA could not provide evidence that user access was properly requested and approved. New user access to AMISYS is requested via a form or an email request. The approval is conducted by an employee's manager via email or signature on the hard copy form. A sample of twenty-five employees was selected by E&Y and it was determined that the Plan did not retain all of the forms or emails requesting and approving such access. In instances where the documentation was not available, management attempted to conduct a recertification of the selected sample with the users' manager. The last full user recertification was conducted in January 2004.

For the twenty-five employees selected by E&Y the following was noted:

- Two users were missing documentation of their access being requested and approved, and no recent recertification was conducted by management.
- Two users were missing documentation of their access being requested and approved, but the recent recertification validated that their access was correct.
- One user had documentation requesting and approving access, but in a recent recertification the manager stated that the user was no longer employed by CIGNA.
- One user had no documentation requesting and approving access, and in the recent recertification the manager stated that the user should not be assigned access.

These exposures increase the risk that critical transactions could be inappropriately processed and reduces reliance upon the overall integrity of the data.

It is recommended that CIGNA's management retain all supporting documentation, either the hard copy request form or email, of user requests and approvals. In addition, the process for user recertification should be standardized and conducted on a periodic (e.g. quarterly/annual) basis. Further, management should implement a process by which terminated employees and users that change jobs are terminated as active AMISYS users.

F. MEDICOM - Changes to Application Controls - Description and Risk

Through its testing procedures, E&Y noted that CIGNA's management could not provide evidence indicating that changes to MEDICOM were properly tested and approved before being installed into production. Of the twenty-five changes that were selected, three changes did not possess evidence that they were approved to be implemented to production and one change did not possess evidence that the change was properly requested, tested and approved. For the three changes that did not possess evidence that they were properly approved prior to being promoted into production, the *Business and Technical Release Coordinator* sign-offs were not present due to an incorrect interpretation of the change management procedures with respect to signatures required for off-release changes. If changes are being promoted into production without all required signatures, additional risks exist (e.g. data anomalies may occur, inappropriate changes could be introduced into the "live environment", or transactions could be inaccurately processed).

It is recommended that management ensure that production control does not promote changes to production unless all signatures for the change are present. In addition, management should ensure that all participants in the change management process, both business users and IT

support, understand the change management process and requirements in order to promote changes into production.

G. AMISYS - Changes to Application Controls - Description and Risk

It was noted that CIGNA could not provide evidence indicating that changes were properly requested, tested and approved before being installed into production. Of the twenty-five changes selected for review by E&Y, two did not possess any supporting evidence that they were requested, tested and approved. If changes are not being properly requested and tested by CIGNA users before being implemented to production, a risk exists that problems could be introduced into the "live environment", or that transactions could be inaccurately processed.

It is recommended that CIGNA's management ensure that all changes to AMISYS follow CIGNA's change management policies and procedures for requesting, testing and approving changes to be promoted into production; particularly when changes are classified as emergency changes.

H. CARBS - Changes to Application Controls - Description and Risk

E&Y noted that management could not provide evidence indicating that changes to CARBS were properly tested and approved before being installed into production. Of the twenty-five changes that were selected, six changes did not possess any evidence of testing and approval that they were approved to be promoted into production. The evidence provided by CIGNA for these six changes, marked by their "Kitana" approval forms as a violation showed

that the change was implemented prior to the Main Change Control Board's review and approval.

CIGNA change management policies and procedures state that all changes must be approved by the Main Change Control Board in order to be implemented into production. Also, of the twenty-five changes that were selected for review by E&Y, another four changes did not possess evidence that the change was requested, tested and approved to be implemented into production. If changes are not being properly tested and approved for production, a risk exists that problems could be introduced into the "live environment", or transactions could be inaccurately processed.

It is recommended that management ensure that all changes to CARBS follow CIGNA's change management policies and procedures for requesting, testing and approving changes to be promoted into production. Further, CIGNA's management should ensure that changes cannot be implemented into production without approval from the Main Change Control Board.

4. SUMMARY OF COMMENTS AND RECOMMENDATIONS

E. AMISYS – Logical Security Controls – Description and Risk

It is recommended that CIGNA's management retain all supporting documentation, either the hard copy request form or email, of user requests and approvals. In addition, the process for user recertification should be standardized and conducted on a periodic (e.g. quarterly/annual) basis. Further, management should implement a process by which terminated employees and users that change jobs are terminated as active AMISYS users. 11

F. MEDICOM – Changes to Application Controls – Description and Risk

It is recommended that management ensure that production control does not promote changes to production unless all signatures for the change are present. In addition, management should ensure that all participants in the change management process, both business users and IT support, understand the change management process and requirements in order to promote changes into production. 11-12

G. AMISYS – Changes to Application Controls – Description and Risk

It is recommended that CIGNA's management ensure that all changes to AMISYS follow CIGNA's change management policies and procedures for requesting, testing and approving changes to be promoted into production; particularly when changes are classified as emergency changes. 12

H. CARBS – Changes to Application Controls – Description and Risk

It is recommended that management ensure that all changes to CARBS follow CIGNA's change management policies and procedures for requesting, testing and approving changes to be promoted into production. Further, CIGNA's management should ensure that changes cannot be implemented into production without approval from the Main Change Control Board. 13

Appointment No. ***22091***

STATE OF NEW YORK
INSURANCE DEPARTMENT

I, ***GREGORY V. SERIO***, Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

Froilan Estebal

as a proper person to examine into the affairs of the

Cigna HealthCare of New York

and to make a report to me in writing of the said

Company

with such information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed by the name and affixed the official Seal of this Department, at the City of New York.

this *11th* day of *September* *2003*

Gregory V. Serio
Superintendent of Insurance