

MARKET CONDUCT EXAMINATION REPORT

**CONNECTICUT GENERAL LIFE
INSURANCE COMPANY**

NAIC #62308

December 31, 2008

**Delaware Market Conduct Examination Report
Connecticut General Life Insurance Company**

REPORT ON EXAMINATION
OF THE
Connecticut General Life Insurance Company.

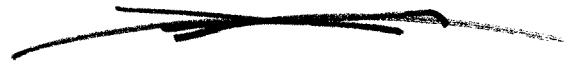
AS OF

December 31, 2008

The above-captioned Report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted and filed as an official record of this Department.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 24th day of November 2010

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SALUTATION

August 19, 2010

Honorable Karen Weldin Stewart CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Stewart:

In compliance with the instructions contained in Certificate of Examination Authority Number 09-705, and pursuant to statutory provisions including 18 *Del. C.* §318-322, a market conduct examination has been conducted of the affairs and practices of:

Connecticut General Life Insurance Company

The examination was performed as of December 31, 2008. Connecticut General Life Insurance Company, hereinafter referred to as the "Company" or as "Connecticut General," is incorporated under the laws of Connecticut. The examination consisted of two phases, an on-site phase and an off-site phase. The on-site phase of the examination was conducted at the following Company location:

2701 North Rocky Point Drive, Suite 800, Tampa, FL 33607

The off-site examination phase was performed at the offices of the Delaware Department of Insurance, hereinafter referred to as the "Department" or "DDOI," or other suitable locations.

The report of examination herein is respectfully submitted.

EXECUTIVE SUMMARY

Connecticut General Life Insurance Company was founded on June 22, 1865 in Connecticut. Its home office and principal executive offices are located at 900 Cottage Grove Road, Bloomfield, CT 06152. Connecticut General Life operates in all 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Canada and Taiwan.

The examination was a market conduct examination of the following business areas: Company Operations/Management; Complaint Handling; Marketing/Sales; Producer Licensing, Policyholder Service; Underwriting Claim/Settlements; Grievance Handling; Utilization Review and External Review. This was a targeted examination of the Company's group health insurance operations.

Four areas of concern were noted during the examination. These issues are more fully discussed in the highlighted sections noted after each summary below:

18 Del. Admin. Code 1406 §7.3 requires companies to perform semi-annual audits on Third Party Administrators (TPAs) when the TPA administers benefits for more than one hundred certificate holders on behalf of an insurer. At least one semi-annual audit shall be an on-site audit of the operations of the TPA. It was noted that the company was only able to provide copies of only one audit a year, rather than semi-annually as required. *Company Operations – Monitoring of Outsourced Management Services*

The Company failed to provide complete underwriting files. The failure to provide complete and accurate information is a violation of 18 Del. C. 320(c). As a result of the failure of the Company to maintain the requested documentation, the examiners were unable to determine rate filing compliance in accordance with 18 Del. C. §2517. *Underwriting and Rating – Rating Practices*

The Company failed to provide copies of requested applications. The failure to provide this information is a violation of 18 Del. C. §320(c). As a result of the failure of the Company to maintain the requested documentation, the examiners were unable to determine compliance with the altered application prohibitions under 18 Del. C. §2709. *Underwriting and Rating – Pertinent Information on Applications*

The Company failed to provide 18 of 21 letters (85.7%) notifying the group applying for coverage that the Company declined to quote the case. By not maintaining complete and accurate information, the Company is violation of 18 Del. C. §320(c). As a result of the failure of the Company to maintain the requested documentation, the examiners were unable to determine compliance with the discrimination prohibitions and confidentiality requirements

under 18 *Del. C. §2317. Underwriting and Rating – Improper Denial of Coverage or Discrimination*

Recommendations have been made to remedy these concerns.

SCOPE OF EXAMINATION

The basic business areas that are subject to a Delaware Market Conduct Examination vary depending on the type on insurer. For all insurers these may include:

- Company Operations/Management
- Complaint Handling
- Marketing and Sales
- Producer Licensing
- Policyholder Service
- Underwriting and Rating
- Claims/Settlements
- Grievance Handling
- Utilization Review
- External Review

This examination report is a report by exception rather than a report by test. This means that only those areas where recommendations are suggested are described and results indicated.

The experience period for this examination is January 1, 2008 through December 31, 2008.

HISTORY AND PROFILE

Connecticut General Life Insurance Company (CGLIC) operates under a charter that was granted by the General Assembly of the State of Connecticut on June 22, 1865. The Company was organized and commenced business in October 1865. On December 19, 1967, the Company became a wholly- owned subsidiary of the Connecticut General Insurance Corporation (CGIC), a holding company chartered in 1967. In July 1981, CGIC changed its name to Connecticut General Corporation (CGC).

On November 6, 1981, the respective Boards of Directors (Board) of CGC and INA Corporation (INA), an insurance holding company, approved a plan of merger. That merger was consummated on March 31, 1982, with the creation of CIGNA Corporation (CIGNA) as the ultimate parent company of CGC and INA. CIGNA Holdings, Inc. (CIGNA Holdings), a Delaware corporation, was established on November 3, 1982. On October 1, 1983, CGC became a direct subsidiary of CIGNA Holdings, which in turn is wholly- owned by CIGNA.

The Company's principal products include group life, accident and health insurance, and investment products and professional services provided to sponsors of qualified pension, profit-sharing and retirement savings plans. CGLIC is domiciled in the State of Connecticut and licensed in all 50 states, the District of Columbia, Puerto Rico, U.S. Virgin Islands, Canada and Taiwan.

METHODOLOGY

This examination is based on the Standards and Tests for a Market Conduct Examination of a Health Insurer found in the Delaware Market Conduct Examiners' Handbook. This chapter is derived from applicable Delaware Statutes, Rules and Regulations as referenced herein and the *NAIC's Market Regulation Handbook* (2008 edition).

The types of review used in this examination fall into three general categories: generic, sample, and electronic.

A "generic" review indicates that a standard was tested through an analysis of general data gathered by the examiner, or provided by the examinee in response to queries by the examiner.

A "sample" review indicates that a standard was tested through direct review of a random sample of files using a sampling methodology described in the Delaware Market Conduct Examiners' Handbook and the *NAIC's Market Regulation Handbook*. Samples of complaint files, underwriting files and settlement files were reviewed to determine that the processes described by the Company are actually used by the Company.

An "electronic" review indicates that a standard was tested through the use of a computer program or routine applied to a download of computer records of the examinee. This type of review typically reviews one hundred percent (100%) of the records of a particular type.

In this examination, the standards were tested through a combination of "generic" review and direct observation of the processes used.

Each Standard contains a brief description of the purpose or reason for the Standard. The examiners' "Observations" are noted following each Standard tested. In some cases a "Recommendation" is made. Comments, Results, Observations and Recommendations are reported with the appropriate corresponding Standard.

A. COMPANY OPERATIONS/MANAGEMENT

Standard A 06

NAIC's Market Regulation Handbook - Chapter XVI, §A, Standard 6
The regulated entity is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the regulated entity

18 Del. Admin. Code 1406 §7.3

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company adequately monitors all activities of vendors and TPAs contracted to perform functions or conduct business on its behalf.

Results: **Pass with comment**

Observations: The examiners requested copies of the audit reports for all TPAs subject to the examination scope to determine compliance with 18 *Del. Admin. Code* 1406 §7.3. This regulation requires semi-annual reviews of the operations of the TPA when the TPA administers benefits for more than one hundred certificate holders. The regulation further requires, “At least one of the reviews must be an on-site audit of the operations of the administrator.” It was noted that the company was only able to provide copies of only one audit a year, rather than semi-annually as required.

Standard A 08

NAIC’s Market Regulation Handbook - Chapter XVI, §A, Standard 8
The Company is licensed for the lines of business that are being written.
18 *Del. C.* §318(a), §505(b)

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company’s operations are in conformance with the Company’s Certificate of Authority.

Results: **Pass**

Observations: The Company is licensed for the lines of business being written based upon a review of premium schedules and the Company’s Delaware Certificate of Authority.

Recommendation: None

Standard A 09

NAIC’s Market Conduct Examiners’ Handbook - Chapter VIII, §A, Standard 9
The Company cooperates on a timely basis with the examiners performing the examination.
18 *Del. C.* §318(a), §320(c), §520(b)3

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is cooperating with the state in the completion of an open review of the Company’s operations. Cooperation with

the examiners in the conduct of an examination is not only required by statute, it is conducive to completing the examination in a timely manner thereby minimizing cost.

Results: Pass with comments

Observations: While the examiners commend the Company Coordinator and Management for the courteous and extremely cooperative manner in which the examination was conducted, the examiners noted long delays in receiving responses to examination handbook interrogatories. In addition, the examiners found that initial information was often inadequate or incomplete and necessitated additional information requests to obtain the documentation required to perform a complete review. The Company also requested an extension to respond to 18 of the 75 (24%) examiner requests for additional information made during the examination.

Recommendation: The Company should review its data management procedures to ensure complete and accurate data is provided timely to the examiners.

B. UNDERWRITING AND RATING

Standard F 01

<p><i>NAIC's Market Regulation Handbook - Chapter XVI. §F, Standard 1</i></p> <p>The rates charged for the policy coverage are in accordance with filed rates or the regulated entity's rating plan.</p> <p style="text-align: right;"><i>18 Del. C. §2517</i></p>

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is in compliance with state statutes governing policy rates.

Results: Fail

Observations: The Company failed to provide complete underwriting files. None of the applications for the contracts applicable to the examination were available for review. This prevented the examiners from determining if the Company's policy rates were in accordance with what was filed with the Department under 18 *Del. C.* §2517. The failure to provide complete and accurate information is a violation of 18 *Del. C.* §320(c) which states: “*Every person being examined, the person's officers, attorneys, employees, agents and representatives, shall make freely available to the Commissioner, or the Commissioner's examiners, the accounts, records, documents, files, information, assets and matters of such person, in the person's possession or control, relating to the subject of the examination and shall facilitate the examination.*”

Recommendation: The Company must review its record management procedures to ensure complete and accurate data is provided in compliance with *18 Del.C. §320(c)*.

Standard F 02

<p><i>NAIC's Market Regulation Handbook - Chapter XX. §F, Standard 2</i></p> <p>Pertinent information on applications that form a part of the policy is complete and accurate.</p> <p style="text-align: right;"><i>18 Del. C. §2709</i></p>

The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is in compliance with state statutes governing policy rates.

Results: Fail

Observations: The Company failed to provide the group health applications for all three group contracts applicable to the examination scope. The failure to provide this information is a violation of *18 Del. C. §320(c)*. As a result of the failure of the Company to maintain the requested documentation, the examiners were unable to determine compliance with the altered application prohibitions under *18 Del. C. §2709*.

Recommendation: The Company must review its record management procedures to ensure complete and accurate data is provided in compliance with *18 Del. C. §320(c)*.

Standard F 05

<p><i>NAIC's Market Regulation Handbook - Chapter XIV. §F, Standard 5</i></p> <p>All forms, including contracts, riders, endorsement forms and certificates are filed with the Department of Insurance.</p> <p style="text-align: right;"><i>18 Del. C. §2712</i></p>
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The review methodology for this standard is “generic.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is in compliance with state statutes governing the filing of policy forms.

Results: Pass

Standard F 06

NAIC's Market Regulation Handbook - Chapter XX. §F, Standard 6

The regulated entity does not improperly deny coverage or discriminate based on health status in the group market or against eligible individuals in the individual market in conflict with the requirements of HIPAA.

18 Del. C. §2317

The review methodology for this standard is “sample.” This standard has a direct insurance statutory requirement. This standard is intended to ensure that the Company is in compliance with state statutes governing discrimination and confidentiality in health insurance.

Results: Fail

Observations: The Company identified 21 group applications that it declined to quote during the examination period. The examiners requested additional information to determine the reason coverage was denied in these cases. The Company failed to provide 18 of 21 (85.7%) letters notifying the various groups applying for coverage that the Company declined to quote the case. By not maintaining complete and accurate information, the Company is violation of 18 *Del. C.* §320(c). As a result of the failure of the Company to maintain the requested documentation, the examiners were unable to determine compliance with the discrimination prohibitions and confidentiality requirements under 18 *Del. C.* §2317.

Recommendation: The Company must review its record management procedures to ensure complete and accurate data is provided to examiners in compliance with 18 *Del.C.* §320(c).

CONCLUSION

The examination was conducted by Debra Boothby, Derek Stepp, Jack Rucidlo and Gloria Dunn, supervised by Shelly Schuman and is respectfully submitted,



Debra A. Boothby, CIE, MCM
Market Conduct Examiner-in-Charge
Insurance Department
State of Delaware