

MARKET CONDUCT EXAMINATION

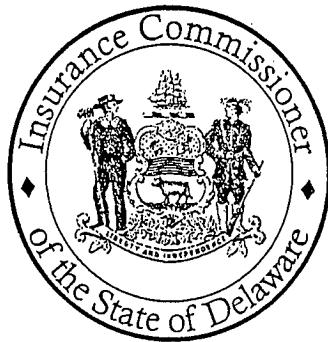
OF

CIGNA HEALTHCARE OF DELAWARE, INC.

AS OF

NOVEMBER 15, 2004

Matthew Denn
Insurance Commissioner



Department of Insurance
841 Silver Lake Blvd.
Dover, DE 19904-2465
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REPORT ON MARKET CONDUCT EXAMINATION
OF THE
CIGNA HEALTHCARE OF DELAWARE, INC.
AS OF
NOVEMBER 15, 2004

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

~~Consideration has duly been 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.

A handwritten signature in black ink, appearing to read "Matt Denn", is written over a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 22ND day of JUNE, 2006.

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON MARKET CONDUCT EXAMINATION, made as of NOVEMBER 15, 2004 of the

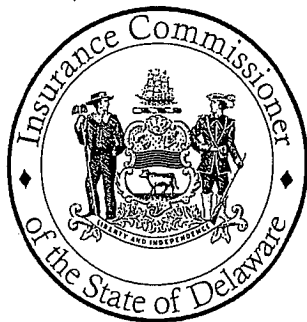
CIGNA HEALTHCARE OF DELAWARE, INC.

is a true and correct copy of the document filed with this Department.

ATTEST BY:

Antoinette Handy

DATE: 22 JUNE 2006



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 22ND DAY OF JUNE 2006.

Matthew Denn

Insurance Commissioner

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February 8, 2006

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard
Dover, Delaware 19904

Dear Commissioner Denn;

In compliance with your instructions contained in Certificate of Examination Authority Number 04-711, and pursuant to statutory provisions including 18 Del. C. §318-322, a market conduct examination has been conducted of the affairs and practices of:

CIGNA HealthCare of Delaware, Inc.

hereinafter referred to as the "Company" or as "CIGNA HealthCare" is incorporated under the laws of the State of Delaware. This examination reviewed only the operations of CIGNA HealthCare as they impact residents, policyholders, and claimants residing in the State of Delaware. The on-site phase of the examination was conducted at the following location:

10490 Little Patuxent Parkway, Columbia, Maryland 21044

The examination is as of November 15, 2004

Examination work was also done off premises and at the offices of the Delaware Department of Insurance hereinafter referred to as the "Department" or as "DDOI."

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The basic business areas that were examined under this examination were:

- A. Company Operations/Management**
- B. Complaint Handling**
- D. Marketing and Sales**
- E. Network Adequacy**
- F. Producer Licensing**
- H. Policyholder Service**
- J. Underwriting and Rating**
- L. Claims**

Each business area has standards that the examination measured. Some standards have specific statutory guidance, others have specific company guidelines, and yet others have contractual guidelines. Please note that those standards in the NAIC Market Conduct Examiners Handbook that do not have a Delaware Insurance Code basis have been omitted from this examination and from the Delaware Market Conduct Examiners Handbook. The product lines reviewed in this examination were Health insurance products.

This examination was comprehensive in scope. Review of some Standards was limited in order to maintain an appropriate schedule for completion of the examination. Standards or tests not applied are identified in this report and were those deemed to be of minimal benefit to the overall report.

The examination did focus on the methods used by the Company to manage its operations for each of the business areas subject to this examination. This includes an analysis of how the Company communicates its instructions and intentions to its lower echelons, how it measures and monitors the results of those communications, and how it reacts to and modifies its communications based on the resulting findings of the measurement and monitoring activities. The examiners also determine whether this process is dynamic and results in enhanced compliance activities. Because of the predictive value of this form of analysis, focus is then made on those areas in which the process used by management does not appear to be achieving appropriate levels of statutory and regulatory compliance. Most areas are nevertheless tested to see that the Company is in compliance with Delaware statutes rules and regulations.

All business areas addressed by the NAIC Market Conduct Examiners Handbook and the Delaware Market Conduct Examiners Handbook that derives from it, were tested in the examination.

This examination report is a report by test rather than a report by exception. This means that all standards tested are described and results indicated.

HISTORY AND PROFILE

CIGNA Healthplan of Delaware, Inc. was incorporated in the State of Delaware on May 29, 1984. Effective May 2, 1989, the Company filed its Restated Certificate of Incorporation with the Delaware Secretary of State. Effective on September 1, 1993, the Company amended its Certificate of Incorporation to change its name to CIGNA HealthCare of Delaware, Inc.

The Company is a wholly-owned subsidiary of Healthsource, Inc., a New Hampshire corporation, which is a wholly-owned subsidiary of CIGNA Health Corporation, formerly named Equicor Health Corporation, a Delaware corporation. Prior to July 3, 1995, the Company was a wholly-owned subsidiary of CIGNA HealthCare, Inc., formerly named INA Health Plan, Inc., a Delaware corporation. CIGNA HealthCare, Inc. merged with and into CIGNA Health Corporation on July 3, 1995. As a result, all of the outstanding stock of CIGNA HealthCare of Delaware, Inc. was transferred to CIGNA Health Corporation. Effective on April 1, 1998, CIGNA Health Corporation transferred all of the issued and outstanding stock of the Company to Healthsource, Inc.

METHODOLOGY

This examination is based on the Standards and Tests for a Market Conduct Examination of a Health Insurer found in Chapter XVII of the Delaware Market Conduct Examiners Handbook. This chapter is derived from applicable Delaware Statutes, Rules, and Regulations as referenced herein and the NAIC Market Conduct Examiners Handbook.

Some standards were measured using a single type of review, while others used a combination or all of the types of review. The types of review used in this examination fall into three general categories. The types of review are: 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 sampling methodology described in the Delaware Market Conduct Examiners Handbook and the NAIC Market Conduct Examiners Handbook. For statistical purposes, an error tolerance of 7% was used for claims reviews and a 10% tolerance was used for other types of review. The sampling techniques used are based on a 95% confidence level. This means that there is a 95% confidence level that the error percentages shown in the various standards so tested are representative of the entire set of records from which it was drawn. Note that the statistical error tolerance is not indicative of the Delaware Department of Insurance's actual tolerance for deliberate error.

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

Standards were measured using tests designed to adequately measure how the examinee met the standard. The various tests utilized are set forth in the Delaware Market Conduct Examiners Handbook for a Health Insurer. Each standard applied is described and the result of testing is provided under the appropriate standard. The standard, its statutory authority under Delaware law, and its source in the NAIC Market Conduct Examiners Handbook are stated and contained within a bold border.

Each Standard is accompanied by a "Comment" describing the purpose or reason for the Standard. A "Result" is indicated and examiner "Observations" is noted. In some cases a "Recommendation" is made. Comments, Results, Observations and Recommendations are kept with the appropriate Standard.

This examination also utilizes a Review of Procedures feature in addition to the conventional review of Standards. This review is explained in the next section of this report. It is noted that in most cases, there is no direct statutory requirement that an insurer have a written procedure for each of the procedures tested in this examination. However, the absence of a written procedure with adequate measurements and controls will place into question whether the examinee is meeting the requirements of 18 Del. C. §508(b) that states in part:

“ The Commissioner shall not grant or continue authority to transact insurance in this State as to any insurer or proposed insurer the management of which is found by the commissioner after investigation or upon reliable information to be incompetent or dishonest or untrustworthy or of unfavorable business repute or so lacking in insurance company managerial experience in operations of the kind proposed in this State as to make such operation, currently or prospectively, hazardous to or contrary to the best interests of, the insurance-buying or investing public of this State, . . . ”

REVIEW OF PROCEDURES

The management of well-run companies generally requires some processes that are similar in structure. These processes generally take the form of written procedures. While these procedures vary in effectiveness from company to company, the absence of them or the ineffective application of them is often reflected in failure of the various Standards that follow in this section and those following. The processes usually include:

- a planning function where direction, policy, objectives and goals are formulated;
- an execution or implementation of the planning function elements;
- a measurement function that considers the results of the planning and execution; and

- a reaction function that utilizes the results of measurement to take corrective action or to modify the process to develop more efficient and effective management of its operations.

The absence of written procedures that provide direction for company staff in its various operational areas tends to produce inconsistent application of the intended process. The same is generally true for the absence of a means to measure the results of the application of procedures and determine that the process is performing as intended.

The reviews in this section are not pass/fail measurements. Rather, they are intended to reflect those management strengths and weaknesses that have a bearing on regulatory compliance issues.

On each procedure for which information was requested, the examiners asked for sufficient data to conclude that:

- Persons affected were utilizing the procedure.
- The Company provides adequate training to persons affected by the procedure
- The procedure was performing as intended.
- Management exercise oversight and control of the process addressed by the written procedure.
- Management utilizes the results of its measurement structures.
- Management implemented any revisions during the past three years based on the results of findings in its measurement structures.

In some cases the examiners believe that the absence of a written procedure or the absence of measurements sufficient to inform the Company that a particular procedure or process is working as intended, is critical enough to warrant a recommendation to formulate, adopt and implement a written procedure or measurement. In other cases, the absence is not sufficiently critical to warrant an outright recommendation but is nevertheless noteworthy and has the potential for future compliance issues. In the latter cases it is suggested that the Company consider formulation, adoption and implementation of a written procedure with measurements and controls.

Company responses of many of the interrogatories presented were not responsive and often not on point with the subject being discussed.

Procedure 01 - Audit (Internal and External).

Observations: The Company does not have a written procedure for audits. The Examiners reviewed the several items purporting to be the written procedure but these were merely ad hoc descriptions of a process used in the absence of a written structure. No measurement was found within the information provided by the Company. These ad hoc processes are not subject to reporting or control and may lead to inconsistent application of management intent.

Information relating to training, oversight, measurement and measurement usage was not provided. See Observations in the Introduction to this Section.

Internal audits for the Company are performed by CIGNA Corporate Audit. CIGNA Corporate Audit is an independent department with a direct reporting relationship to the Audit Committee, a sub-group of CIGNA Corporation's (the ultimate parent company) Board of Directors. Corporate Audit is not part of the management framework or internal control structure of any of CIGNA Corporation's subsidiaries.

Corporate Audit is an organization with most individuals holding one or more of the following credentials: certified public accountant, certified internal auditor, or certified information systems auditor. As such, the Company contends that the department is held to the related code of conduct, standards, and ethics for the respective professional associations. At the outset of each audit, the department develops audit-specific procedures to address the topic or internal organization that is the subject of the audit. The Company indicated that in order to drive quality and consistency, Corporate Audit has established an audit best practices group, standard methodology and a periodic, internal quality control check. No other information was provided to the Examiners pertaining to the audit process at CIGNA.

According to the Company, the normal duties of auditors in the CIGNA Corporate Audit department include helping the operating management to:

- identify and assess risk;
- identify appropriate and cost effective controls to mitigate risk;
- evaluate the effectiveness of key control processes and activities; and
- set the tone for a strong risk assessment and controls culture at CIGNA.

Corporate Audit uses PriceWaterhouseCooper as its external auditor. The last external audit was completed as of December 31, 2003.

There are two primary ways in which the internal audit process is activated:

- Through the audit planning process, which is developed based on an objective risk assessment done by the audit department.
- At the request of management

Management has the responsibility to ensure that action plans are put into place to appropriately mitigate identified risks. Corporate Audit has an annual process to follow up on high-risk issues identified for the audit committee. In addition, the Company indicated that Corporate Audit is implementing a process to follow up on high and medium risk issues identified for each division with senior leadership on a quarterly basis.

Corporate Audit has dedicated teams for divisional audit services, information systems auditing and special investigations.

Annual audit plans are developed by means of interactive input from management groups such as senior management and the audit committee. Upon completion of the draft audit plan, it is presented to the audit committee and senior management for comments and modifications. The progress of the plan is monitored throughout the year with updates provided to the various groups. If areas of risk change during the year, the plan is modified to address the risk.

The following is a list of audits performed by the Company's internal audit department, which directly related to CIGNA HealthCare.

- PMHS Pre-Payment Claim Accuracy Audit
- Service Operations End to End Audit: Phase 1
- Underwriting Review
- 2003 Broker and Sales Compensation

Recommendations: None

Procedure 02 – Anti-Fraud

Observations: The examiners reviewed the CIGNA Corporation Anti-Fraud Prevention, Detection & Investigation Plan. The procedure is clear, organized and readable. No version date is evident within the documents presented to the Examiners. In addition, no specific measurement timelines or metrics were described within this procedure. The procedure is well structured and does not appear to conflict with Delaware statutes or regulations. Requested information concerning revisions arising from the Company's measurement of the procedure during the past three years was not provided.

Each area of the anti-fraud plan, outlining the major responsibilities of the area groups, is thoroughly covered. The Company provided the examiners with the generic version of its anti-fraud plan, which was released in September 2004. Prior to that, the Company operated from an anti-fraud plan template overlaid with state specific requirements.

System Information (SI) responsibilities include, but are not limited to: internal fraud and policy violations, external fraud, anti-fraud and ethics training and developing and packaging evidence of potential fraud for referral to various regulatory and law enforcement agencies. SI investigators also work closely with CIGNA legal and claim cost containment on the technical claim issues

In May, 2004 the Companies corporate audit department took over the group special investigations department forming one consolidated special investigations (SI) unit. The Company indicates that it is prepared to cooperate with the appropriate law enforcement authorities in the prosecution of insurance fraud cases and report fraud related data to all state Insurance Department Fraud Bureaus, as required by state laws and regulations.

The Special Investigations unit is also responsible for the ethics program and the internal investigative program for CIGNA. CIGNA maintains an ethics inquiry database, which records and tracks all reports of alleged violations and all questions regarding the code of ethics and compliance. CIGNA is prepared to cooperate with the appropriate law enforcement authorities in the prosecution of insurance fraud cases and report fraud related data to all state Insurance Department Fraud Bureaus, as required by state laws and regulations.

The Special Investigations unit has prepared a web based training program for CIGNA employees via the CIGNA intranet. For those employees who do not have access to the CIGNA intranet, local management conducts training sessions that meet all state requirements for fraud awareness training. This program is targeted and required to be performed by CIGNA's underwriting and claim operations but is available to all CIGNA employees. Additionally, a system has been implemented that allows the Company to automatically track and report on who has taken the ethics training.

Ongoing anti-fraud training of at least 8 hours per year is provided to all investigators. On the healthcare side, The National Health Care Anti Fraud Association (NHCAA) conducts training sessions attended by both investigators and management. On the group side, investigators and management attend training provided by the International Association of Special Investigation Units.

SI maintains an anti-fraud manual that is available to investigators, claim and underwriting personnel. CIGNA is currently revising this manual and plan to make it available via the intranet in the fourth quarter of 2004. In addition to the web based training and anti-fraud manual, SI has a dedicated resource responsible for maintaining an open dialog with claim and underwriting personnel. SI currently has two websites, one for healthcare and a second for group. Both of the websites are platforms for promoting dialogue with employees and management across different departments and divisions.

Claim forms (whether paper or electronic) or the data transcribed from a CIGNA claim form and entered into one of the payment systems may contain indications that raise suspicion about the integrity of the information or red flag. Underwriting applications, both presale and renewal, may also contain indications that raise suspicion about the integrity of the information. SI uses these red flags to educate claims processors and underwriting personnel to identify potential fraud.

CIGNA in conjunction with IBM developed the Fraud and Abuse Management System (FAMS), a rules-based data-mining engine. SI uses FAMS as a case discovery tool for detecting and measuring subtle variations in billing behavior and then ranking providers against their peers, pointing out those whose practice or billing patterns deviate substantially from the norm.

SI also uses simple querying tools, such as Brio software in the data mining efforts. These tools are used when the scheme requirements are not complicated and can be coded using simple if/then/else statements.

Once a provider is identified through the data mining activities the claim data is reviewed by an investigator. If the investigator determines that a case may be warranted, a referral is loaded into the case management system for management review and potential case assignment. Outside investigators or vendors responsibilities are limited to the passive collection (surveillance) of information about a claimant.

Recommendations: None

Procedure 03 - Electronic records control

Observations: The information provided by the Company was not responsive. The Company does not have a written procedure for electronic records control. The Examiners reviewed the several items purporting to be the written procedure, including items within the CIGNA Information Protection Policy but these were merely ad hoc descriptions of a process used in the absence of a written structure. The policy has a version date of March 2003. No conflicts with Delaware statutes and regulations were noted. These ad hoc processes are not subject to reporting or control and may lead to inconsistent application of management intent.

Information relating to training, oversight, measurement and measurement usage was not provided. See Observations in the introduction to this Section.

Because of the sensitive nature of the information related to this Procedure the details of this review are not provided in this report. The information that was reviewed is contained in the examination workpapers, and as such is considered confidential and not subject to public disclosure.

Recommendations: It is recommended that the company formulate, adopt and implement a written electronic records control procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 04 - File backup

Observations: The Company does not have a written procedure for file backup. Information provided was not on point concerning file backup. The Company has instructed its employees that applications supporting financial functions must maintain an audit trail that can be used to trace activity by the business supported (client, plan,

application) and the person performing the activity. However no specifics related to how that is accomplished was provided.

Recommendations: It is recommended that the company formulate, adopt and implement a written File Backup procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 05 - File Maintenance and Control

Observations: The Company does not have a written procedure for file maintenance and control. The Company provided the CIGNA Information Protection Policy but that had more to do with privacy protection than it did with File Maintenance and Control.

Recommendations: It is recommended that the company formulate, adopt and implement a written File Maintenance and Control procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 06 – Record Retention

Observations: The Company does not have a written procedure for record retention. Responses to examiner interrogatories were directed to security and sensitivity of data held by the Company but did not address retention of the materials by the Company.

Recommendations: It is recommended that the company formulate, adopt and implement a written Record Retention procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 07 – Computer Security

Observations: The Company does not have a written procedure for computer security. However the Examiners noted that the Company does maintain restricted access zones for certain kinds of information. These are user ID and password protected. Some of the protections are built into the system on which the restricted data resides.

Sufficiency and adequacy of any existing controls was not determined since data needed to review was not maintained and disclosed when requested.

Because of the sensitive nature of the information related to Computer Security that was provided, the details of this review are not provided in this report. The information that was reviewed is contained in the examination workpapers, and as such is considered confidential and not subject to public disclosure.

Recommendations: It is recommended that the company formulate, adopt and implement a written Computer Security procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 08 – Documentation for Computer Screens and Programs

Observations: A written procedure for documentation for computer screens and programs was not provided. The Company's software compliance policy states that the only software and applications permitted in the CIGNA processing environment are CIGNA-developed; obtained from management-approved sources; fully licensed.

Each division within the Company implements information protection awareness programs. The programs must provide all users with the opportunity to receive training on information protection. New employees sign a form indicating receipt and understanding of the responsibility to comply with CIGNA's code of ethics & compliance, including the information protection plan. Certain employees are required to provide an annual affirmation of this requirement.

Recommendations: It is recommended that the company formulate, adopt and implement a written Documentation for Computer Screens and Programs procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 09 – Disaster Recovery

Observations: The Company has a written procedure for disaster recovery. The Examiners reviewed the procedure and supplementary information provided by the Company including the CIGNA Systems Division Business Continuity Plan ("Plan"). This procedure is clear, readable, organized and available to persons needing access to or affected by the procedure. The procedure is current and is reviewed for update annually. Measurement structures are provided through periodic facility wide testing of the Plan. This generally occurs semiannually. Examiners noted no conflict with Delaware statutes and regulations.

According to the Company, the Plan is designed to create a state of readiness that will provide an appropriate response to the following incident scenarios:

- Any incident causing physical damage such as fire, smoke or water damage.
- Any incident which indirectly affects facility access such as storm closure, emergency building evacuation due to bomb threat, or external threat such as a fire to a nearby facility.
- Any environmental incidents such as poor ventilation, heating or cooling problems that would jeopardize employees.
- Impending or unexpected regional disaster such as hurricane or flood.

- Any external incident which could potentially cause an interruption, such as loss of electrical or telecommunications service.
- Any incident that causes a serious outage in one or more of the following areas:
- Use of or access to the building; 2) power; 3) voice / PBC; 4) WAN, internet 5) computing / LAN
- Disaster impacting the operation of any other company facilities

Recommendations: None

Procedure 10 – MGA Oversight and Control

Observations: This procedure is not applicable as CIGNA HealthCare of Delaware, Inc. does not use managing general agents (MGAs) in the state of Delaware.

Recommendations: None

Procedure 11 – Customer and Consumer Privacy Protection

Observations: The Company has a written procedure for customer and consumer privacy protection. Examiners reviewed the procedure and supplementary information including 21 privacy and protection procedures. The procedures created on 04/14/2003 are clear, readable, organized and available to persons needing access to or affected by the procedure. The Company reviews and updates the procedures annually. Examiners noted no conflict with Delaware statutes or regulations. The Company did not provide information regarding formal training, oversight, measurement and measurement usage.

Recommendations: None

Procedure 12 – Insurance information management

Observations: The Company does not have a written procedure for Insurance Information Management. The Company's Information Solutions Group (ISG) is comprised of information technology professionals who are responsible for providing technical solutions that meet business requirements.

ISG supports all the Company's processes by:

- Designing and developing software applications to capture and process data.
- Creating systems tools for some functions, including provider networks.
- Making information integrated and accessible.
- Providing a dependable, stable production environment, in partnership with the CIGNA Systems organization and the CIGNA HealthCare Application Management Practice (AMP) organization.
- Introducing new technology.

- Assisting in packaged software integration and acceptance testing.
- Upgrading packaged software.

Recommendations: None

Procedure 13 – Complaint handling

Observations: The Company has a written procedure for complaint handling. The Examiners reviewed the procedure and supplementary information provided by the Company including the CIGNA national inquiry and complaint contact resolution policy as well as customer advocacy procedures. These procedures are clear, readable, organized and available to persons needing access to or affected by the procedure. The procedure is current and is reviewed for update annually. Examiners noted no conflict with Delaware statutes or regulations.

State specific complaint policies have been drafted to comply with individual state regulatory complaint requirements and apply to residents of states with these specific requirements. The Company has developed specific and detailed procedures, which include appropriate steps, responsibilities, actions and timeframes.

Recommendations: None

Procedure 14 – Grievance Handling including Expedited Review

Observations: The Company has a written procedure for Grievance Handling including Expedited Review. The examiners reviewed the CIGNA Appeals policy for Delaware participants in CIGNA HealthCare of Delaware Inc. The procedure is clear, organized and readable. The procedure is accessible and provided to persons subject to its provisions. The version date of this procedure is July 2002. Examiners noted no conflict with Delaware statutes or regulations.

Recommendations: None.

Procedure 15 – Advertising, Sales and Marketing

Observations: The Company does not have a written procedure for advertising sales and marketing. The Company indicated to the examiners that its advertising objective is to educate employers and producers about its products and services and to drive growth. The Company does not solicit business via the Internet. However, the Company provides information about its products and services on its web site and it directs visitors to the local CIGNA sales office. The Company does not utilize traditional telemarketing techniques to solicit business. The majority of communication with producers is conducted with CIGNA sales representatives. The Company communicates with

producers in several ways regarding correspondence and training. This includes letters, electronic messages, telephone and through its web site.

Recommendations: None

Procedure 16 – Agent Produced Advertising

Observations: The Company does not have a written procedure for agent produced advertising. The Company does state that any outside entities wishing to use the CIGNA brand must get approval and must adhere to CIGNA branding guidelines. If a producer requests the use of a CIGNA logo, the request is reviewed by marketing and legal areas prior to use.

Recommendations: None

Procedure 17 – Provider Selection

Observations: The Company does not have a written procedure for provider selection. However, the process used by the participant is clearly stated in a form that accompanies the contract (Form GSA-PROV (01)-B).

Recommendations: None

Procedure 18 – Out-of-Area & Out-of-Network Services

Observations: The examiners reviewed the several policies and procedures including: Physical, Technical and Administrative Safeguards, Minimum Necessary Use, Disclosure and Requests of Protected Health Information, Pre-certification and Authorization policy and procedures. The procedures are compliant with applicable statutes or regulations. This procedure is clear, readable, organized and available to persons needing access to or affected by the procedure. Information relating to training, oversight, measurement and measurement usage was not provided.

These procedures included detailed information regarding various aspects of out of area and out of network services including:

- Verification and Disclosure
- Authorization
- Privacy and Confidentiality of Individually Identifiable Protected Health Information
- Minimum Necessary Use, Disclosure and Request of Protected Health Information
- Physical, Technical and Administrative Safeguards

Recommendations: None

Procedure 19 – Producer Training

Observations: The Company does not have a written procedure for producer training. The Company approach to training is to have its sales personnel provide a number of documents to the producer for his or her own review. This includes the following documents:

- Behavioral Health
- Better Solutions for Your Health SM
- COBRA Administration
- HMO & POS Open Access Plans
- HMO & POS
- Online Solutions
- Pharmacy Products
- Presentation Template

According to the Company, the effectiveness of this approach is measured by the number of times that a producer calls or presents a request for proposal for products or services that the Company cannot accommodate.

Recommendations: None

Procedure 20 – Producer Selection and Appointment

Observations: The Company does not have a written procedure for producer selection and appointment. All CIGNA employees who are in a sales oriented position that require licensure must hold a resident (home state) insurance license and be appointed to the appropriate CIGNA companies. In the event sales activities are conducted in states other than the resident state, specific sales employees (i.e.: new business managers, client managers, client strategy specialist) must also hold a nonresident insurance license and appointment(s).

Newly hired employees who are in the process of obtaining an insurance license cannot conduct any sales activity but can attend sales interviews, enrollment meetings, etc. if accompanied by a licensed person. The company monitors this requirement by confirming that the procedure is licensed in the state in which the quote is delivered.

The producer commissions department audits 100% of new business cases to ensure that the licensing status of the broker meets the requirements of the case. If it does not, commissions are suspended and the producer-licensing department is informed and addresses the matter. The “Suspended Commission” report is provided to the appropriate sales office every two weeks to assist in the resolution of the root cause.

Recommendations: None

Procedure 21 – Producer Defalcation

Observations: The Company does not have a written procedure for producer defalcation, but Examiners reviewed the producer agreement.

Health producers are allowed only to collect a binder (as long as the check is made payable to a CIGNA company) on policies/group service agreements and cannot collect any premiums throughout the life of the policy/group service agreement. Producers also do not handle any refunds, unearned premium or claim monies of any type including all funds whether paid by the client, returned to the client, or to a member of a group.

Recommendations: None.

Procedure 22 – Health Care Professionals Credentialing and Re-credentialing Verification

Observations: Not Tested

Recommendations: None

Procedure 23 – Correspondence Routing

Observations: The Company does not have a written procedure for correspondence routing. All mail is delivered to the Electronic Mailroom through two post office boxes. The Electronic mailroom scans each correspondence document received. The image of the document is then placed in a searchable database. Correspondence is routed to the appropriate work group based on keywords in the correspondence. Once stored in the searchable database, the claim processor can access the images of the correspondence documents through the Company system used for that purpose.

Recommendations: None.

Procedure 24 – Policyholder Service

Observations: Not Tested. See Procedures 25, 26, 28, 29, 30, 31, 32, 33, and 37.

Recommendations: None.

Procedure 25 – Premium Billing

Observations: The Company does not have a written procedure for premium billing. However the process used appears to be applied consistently and is working. The process used has reasonable measurements and controls.

Recommendations: None.

Procedure 26 – Policy Issuance

Observations: The Company does not have a written procedure for policy issuance. The Company uses a document generation process that it describes as follows:

1. Account specific information is submitted to home office by the sales department. Each account is assigned an account number and benefits are structured.
2. Individual members are loaded into the eligibility database under the appropriate account number.
3. Individual members' information is sent to the document generation system and that system uses the account information to link the member to the appropriate benefit information.
4. The system uses the benefit information to access its database and pull the appropriate language for the benefits selected and to create the Group Service Agreement (“GSA”) file.
5. The system sends the GSA file to the Print Vendor and a GSA is printed and mailed to the member

Recommendations: None

Procedure 27 – Underwriting and Selection

Observations: The Company does not have a written procedure for underwriting and selection. The Examiners reviewed several items purporting to be the written procedure including Underwriting Quality Review Process, Underwriting Claim Projection and Monthly Scorecard for Underwriting Results by Region. But these were merely ad hoc descriptions of a process used in the absence of a written structure. These ad hoc processes are not subject to reporting or control and may lead to inconsistent application of management intent.

The processes provided for review do provide some control of the underwriting and selection process. Quality review audits are conducted on a regular basis but the sampling methodology utilized (Ten files per region per month) does not appear to be providing an adequate quantity of files to be tested. The mix of files tested in this manner include: Presale and renewal business; a mix of large, medium and small size cases; All funding types; and, various underwriters.

Recommendations: It is recommended that the company formulate, adopt and implement a written Underwriting and Selection procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 28 – Cancellation

Observations: The examiners reviewed the delinquency timeline procedure. The procedure is clear, organized and readable. Delinquency timelines and termination actions are defined within the procedure. Appropriate timelines for specific actions are clearly defined for the employee, which ultimately leads up to a termination of a policy. No specific measurement structures or metrics, revision history, or training information were described within this procedure. No conflict with Delaware statutes or regulations was noted.

Recommendations: None

Procedure 29 – Termination

Observations: The Company has a written termination procedure and it is clear, organized and readable. The procedures comply with applicable Delaware statutes and regulations. No measurement structures exist to test the functioning of the procedure.

The Company's procedure for termination requires that if an overdue payment is not received during the time frame allowed, the Billing Analyst will alert Team Leader of the issue of non-payment. The decision to terminate will be made by Team Leaders with coordination from Sales & Underwriting.

Recommendations: None

Procedure 30 – Reinstatement

Observations: The Company has a written reinstatement procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with applicable Delaware statutes and regulations.

Recommendations: None

Procedure 31 – Insured or Member Requested Claim History.

Observations: The Company has a written insured or member requested claim history procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Examiners did not note any conflict with applicable Delaware statutes and regulations. The Company did not provide information relating to oversight, measurement and measurement usage

The procedure uses language developed by the Company and in conjunction with HIPPA standards.

Recommendations: None

Procedure 32 – Insured or Member Enrollment

Observations: The Company has a written Insured or Member Enrollment procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Examiners did not note any conflict with applicable Delaware statutes and regulations. The Company did not provide information relating to oversight, measurement and measurement usage.

Recommendations: None.

Procedure 33 – Credible Coverage

Observations: The Company has a written credible coverage procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with Delaware statutes or regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to training, oversight, measurement and measurement usage.

The procedure describes the information needed from a proposed insured to process an application containing a certificate of credible coverage. It also describes how and when this information is communicated to staff members involved in the use of the credible coverage information.

Recommendations: None

Procedure 34 – Assumption Reinsurance Agreement

Observations: The Company was not involved in any assumption reinsurance agreements during the examination period.

Recommendations: None

Procedure 35 – Quality Assessment

Observations: This procedure was not reviewed.

Recommendations: None

Procedure 36 – Premium Determination

Observations: This procedure was not reviewed.

Recommendations: None

Procedure 37 – Quotation

Observations: The Company has a written quotation procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Examiners did not note any conflict with applicable Delaware statutes and regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to oversight, measurement and measurement usage.

Recommendations: None

Procedure 38 – Capitation Determination

Observations: The Company has a written capitation determination procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with Delaware statutes or regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to training, oversight, measurement and measurement usage.

In 2003, the Company commenced efforts to discontinue capitation as a means to pay primary care physicians for basic services.

In those situations where capitation is still in use, primarily vendor networks, the Company determines capitation rates based upon experience, membership and the market cost of care. CIGNA generally develops its capitation rate through consideration of the annualized cost of care, competitive market costs, and negotiation.

Recommendations: None

Procedure 39 – Rate and Form Filing

Observations: The Company has a written rate and form filing procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Examiners did not note any conflict with applicable Delaware statutes and regulations.

Recommendations: None

Procedure 40 – Policyholder Disclosures

Observations: The Company has a written policyholder disclosures procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with Delaware statutes or regulations.

CIGNA sends Gramm-Leach-Bliley (“GLB”) notices to customers (e.g., policyholders). It was noted however that due to an exception in the Act, the notices are not required for the business written by the Company. CIGNA does not disclose nonpublic, personal, financial information to nonaffiliated third parties, except as permitted by Sections 14, 15, and 16 of the model act and CIGNA contracts with group policyholders to provide benefits and services rather than with individual participants.

Recommendations: None

Procedure 41 – Underwriter Training

Observations: The Company does not have a written underwriter training procedure.

Recommendations: It is recommended that the company formulate, adopt and implement a written Underwriter Training procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.

- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 42 – Underwriting File Documentation

Observations: The Company does not have a written procedure for underwriting file documentation.

Recommendations: It is recommended that the company formulate, adopt and implement a written Underwriting File Documentation procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Procedure 43 – Declination

Observations: The Company has a written declination procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with Delaware statutes or regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to training, oversight, measurement and measurement usage.

Recommendations: None

Procedure 44 – Rescission

Observations: The Company does not use the rescission process.

Recommendations: None

Procedure 45 – Continuation of Benefits

Observations: The Company has a written continuation of benefits procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with Delaware statutes or regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to training, oversight, measurement and measurement usage.

CIGNA provides a report to a terminating group customer showing prior creditable coverage for all affected enrollees. The customer can then provide the report to the succeeding carrier to ensure that appropriate credit is provided toward any pre-existing condition limitation of the new plan. Individual HIPAA certificates are provided to enrollees upon request.

Effective July 1, 2004, CIGNA no longer offers COBRA administrative services. Existing COBRA customers were provided the option of changing to Ceridian, locating a different COBRA administrator, or administering COBRA themselves. CIGNA maintains COBRA qualified beneficiaries as active on the employer's plan in accordance with the employer's (or COBRA administrator's) instructions and eligibility feeds.

Recommendations: None

Procedure 46 – Staff Training

Observations: The Company has a written staff training procedure and it is clear, organized and readable. Examiners did not note any conflict with Delaware statutes or regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to training, oversight, measurement and measurement usage.

The Company has numerous position and department specific training curricula required for certain employees. It also offers a wide variety of courses to enhance the knowledge and capabilities of its employees.

Recommendations: None

Procedure 47 – HIPAA Compliance

Observations: The Company has a written HIPAA compliance procedure in place. The procedure is clear and readable. The procedure is compliant with applicable statutes and regulations. No information pertaining to measurement structures was provided by the Company. The HIPAA compliance procedure goes as follows:

The Company provides the client with a HIPPA form to complete and submit to the Company's HIPPA unit. On this form the client will either accept or reject the Company's HIPPA certification services. The procedure also explains the amount of time for completion of the process.

Recommendations: None

Procedure 48 – Utilization Review including Adverse Determination

Observations: The Examiners did not review the Company procedures for utilization review including adverse determination.

Recommendations: None

Procedure 49 – Adjuster Training

Observations: The Company has a written adjuster training procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Examiners did not note any conflict with applicable Delaware statutes and regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to oversight, measurement and measurement usage.

Recommendations: None.

Procedure 50 – Claim Handling

Observations: The Company's claim handling procedures are stored on an online database. These procedures have not been included in the Company's response due to the incapability to print these procedures from the database. The Company has provided a table of contents of those procedures and they appear to be adequate and in compliance with applicable rules and regulations.

Recommendations: None

Procedure 51 – Internal Claim Audit

Observations: The Company has a written internal claim audit procedure in place. The procedure is clear and readable. The procedure is compliant with applicable statutes and regulations.

Recommendations: None.

Procedure 52 – Subrogation and Deductible Reimbursement

Observations: The Company has a written subrogation and deductible reimbursement procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with Delaware statutes or regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to training, oversight, measurement and measurement usage.

The Company uses a third party vendor, Primax Recoveries Incorporated (Primax), for its subrogation and third party liability recovery efforts. Primax identifies recovery potential, secures recovery rights, and reaches settlements in cases where another party is liable for the costs of medical services.

Recommendations: None

Procedure 53 – Timely Resolution of Clean Claims

Observations: The Company has a written timely resolution of clean claims procedure in place. The procedure is clear and readable. The procedure is compliant with applicable statutes and regulations. No information pertaining to measurement structures was provided by the Company.

Clean claims are approved, paid, or denied within 30 calendar days from receipt. If the claim is denied, the explanation of benefits will include the reason(s).

Recommendations: None.

Procedure 54 – Claim File Documentation

Observations: The Company has a written claim file documentation procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Examiners did not note any conflict with applicable Delaware statutes and regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to oversight, measurement and measurement usage. Also see Observations for Procedure 50.

Recommendations: None

Procedure 55 – Reserve Establishment

Observations: The Company has a written reserve establishment procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required. Examiners did not note any conflict with Delaware statutes or regulations. Examiners were not provided with requested information concerning audit history. Additionally the Company did not provide information relating to training, oversight, measurement and measurement usage.

Lag schedules are used to determine the claim reserves. Claim reserves are established separately by product in two categories, Inpatient (Hospital); and Non-Inpatient. Non-Inpatient costs are those paid on a fee-for-service basis to primary and non-primary care physicians, including specialists. These costs include, but are not limited to, home health care, pathology (lab), radiology, ambulance, emergency room charges, physical therapy, outpatient surgical services, ultrasound, dialysis, radiation therapy, other ancillary hospital outpatient charges, and durable medical equipment charges.

Recommendations: None

Procedure 56 – Vendor Oversight and Control

Observations: The Company has a written vendor oversight and control procedure and it is clear, organized and readable. Persons subject to the procedure have access to it and training is provided to employees subject to the procedure. Utilization of the procedure is required and tested. Examiners did not note any conflict with Delaware statutes or regulations. Audits or reviews are conducted as needed to assure that the procedure is working as intended.

CIGNA HealthCare has a Quality Management Program that includes the oversight and control of the Company's vendors. The Quality Management Program provides direction to health plan management for the coordination of both quality improvement and quality management activities across all departments, including Health Services, Network Management/Provider Relations, Member Services/Claims and Sales/Marketing. The Program outlines quality monitoring requirements and provides guidance in initiating process improvement initiatives when deficiencies are identified. Quality Measurement Studies are designed and documented to objectively and systematically monitor and evaluate the quality and appropriateness of care and service provided to members.

Recommendations: None

Procedure 57 – Assertions of Privilege

Observations: The Company does not have written guidelines or a procedure concerning assertion of privilege. The legal department considers each situation on its facts and provides an opinion as needed.

Recommendations: None

Procedure 58 – Use of Persons with Felony Conviction

Observations: Not Tested

Recommendations: None

A. COMPANY OPERATIONS/MANAGEMENT

The evaluation of standards in this business area is based on review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to provide a view of what the company is and how it operates. It is typically not based on sampling techniques. It is more concerned with structure. This review is not intended to duplicate financial examination review but is important in establishing an understanding of the examinee. Many troubled companies have become so because management has not been structured to adequately recognize and address the problems that can arise.

Standard A-01

NAIC Market Conduct Examiners Handbook Chapter XVI §A, Standard 1.

The Company has an up-to-date, valid internal or external audit program.

18 Del. C. §318(a) & §508(b)

Comments: The review methodology for this standard is by “generic” review. This standard does not have a direct statutory requirement; however, the standard is inferred by the referenced statutes. A company that has no internal audit function lacks the ready means to detect structural problems until after problems have occurred. A valid internal or external audit function and its use is a key indicator of competency of management which the commissioner may consider in the review of an insurer.

Results: **Pass**

Observations: The Company has an up to date, valid internal/external audit program. CIGNA Corporation (ultimate parent), on behalf of its subsidiaries, has an internal audit department called Corporate Audit and uses Price Waterhouse Cooper as its external auditor.

Recommendations: None

Standard A-02

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 2.

The Company has appropriate controls, safeguards and procedures for protecting the integrity of computer information.

18 Del. C. §318(a) & §508(b)

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct statutory requirement; however the standard is inferred by the referenced statutes. Appropriate safeguards for protecting the integrity of the computer information are a public protection issue. Appropriate controls, safeguards and procedures for protecting the integrity of computer files is an indicator of competency of management that the commissioner may consider in the review of an insurer.

Results: **Pass**

Observations: The Company has appropriate safeguards, controls and procedures for maintaining the integrity of computer information. Some of these controls and procedures are as follows:

- When customer data is entered into a CIGNA system, only designated company personnel who have specified user identifications and passwords can access it. The System area controls data access privileges based on an employee’s need to access and/or change data as determined by his/her manager. In this way, we can restrict access to data to a need-to-know basis only.
- Computer security is protected through a variety of physical and data security programs that check for violations in systems configurations and detect for unauthorized use.
- Workstations are protected by passwords that are changed regularly, as are sensitive computer applications that are accessed only by privileged users.
- Security features are incorporated into the design of applications to protect sensitive information and ensure privacy.
- Mainframe systems are protected by multi-level password systems and through at least a two-level physical security system that uses a combination of guard service, access keys, magnetic card systems and biometrics.
- Physical security at the Company’s facilities is maintained through a three-level system that authorizes appropriate individuals into the facilities, properly identifies them, and defines the working areas to which they have access.
- Finally, employees are instructed on the importance of preserving the confidentiality and integrity of customer data, and are held accountable through the company’s data security policy. This policy defines the roles and responsibilities of all staff concerning the confidentiality of data. It is maintained and enforced by CIGNA.

Recommendations: None

Standard A-03

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 3.

The Company has an antifraud plan in place.

18 Del. C. §318(a) & §508(b) & §2408

Comment: Review methodology for this standard is by “generic” review. This standard does not have a direct statutory requirement; however the standard is inferred by the referenced statutes. Written procedural manuals or guides and antifraud plans should provide sufficient detail to enable employees to perform their functions in accordance with the goals and direction of management. Appropriate antifraud activity is important for asset protection as well as policyholder protection and is an indicator of competency of management which the commissioner may consider in the review of an insurer. Further, the insurer has an affirmative responsibility to report fraudulent activities of which it becomes aware.

Results: **Pass**

Observations: The Company has an anti-fraud plan in place. The plan’s procedures are current and up to date. The Company uses and meets its own standards for the use of the anti-fraud plan. No anti-fraud activities are outsourced to any other external sources.

Recommendations: None

Standard A-04

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 4.

The Company has a valid disaster recovery plan.

18 Del. C. §318(a) & §508(b)

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct statutory requirement; however the standard is inferred by the referenced statutes. It is essential that the company have a formalized disaster recovery plan that will detail procedures for continuing operations in the event of any type of disaster. Appropriate disaster recovery planning is an indicator of competency of management which the Commissioner may consider in the review of an insurer

Results: **Pass**

Observations: The Company has a valid disaster recovery plan. The plan is up to date and is tested at least once annually. The Company does outsource some of their disaster recovery activities. The disaster recovery has been designed to recover systems that were lost in a number of incidents. Incidents are defined events that cause one or more of the following:

- Full-site outage
- Power outage
- Voice / PBX outage
- WAN / Hyper-channel / Internet outage

- Computing / LAN outage

Recommendations: None

Standard A-05

NAIC Market Conduct Examiners Handbook - Chapter XVII, §A, Standard 5.

The Company is adequately monitoring the activities of any entity that contractually assumes a business function or is acting on behalf of the Company.

18 Del. C. §318(a), §508(b), §1805.

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement. This standard is focused on the level of the oversight provided by the Company when it contracts with an external entity that assumes a business function of the Company. The particular interest is on oversight impacting records and actions considered in a market conduct examination such as but not limited to, trade practices, claim practices, policy selection and issuance, rating, complaint handling, etc.

Results: **Pass**

Observations: The Company uses four TPAs to service some aspects of its business. The Company adequately monitors the activities of these four TPAs. The Company has formed a Delegation/Oversight Committee that schedules and performs audits to be done on these TPAs. An audit is done at least once every two years in combination with continuous monitoring of these TPAs.

Recommendations: None

Standard A-06

NAIC Market Conduct Examiners Handbook - Chapter XVII, §A, Standard 6.

Records are adequate, accessible, consistent and orderly and comply with Delaware record retention requirements.

18 Del. C. §318(a), §505(b), §508(b).

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct statutory requirement; however the standard is inferred by the referenced statutes. This standard is intended to assure that an adequate and accessible record exists of the company’s transactions. The focus is on the records and actions considered in a market conduct examination such as but not limited to, trade practices, claim practices, policy selection and issuance, rating, complaint handling, etc. Inadequate, disorderly, inconsistent, and inaccessible records can lead to inappropriate handling of claims, inappropriate rates and other issues which can provide harm to the public.

Results: **Pass**

Observations: Records are adequate, accessible, consistent and orderly and comply with Delaware record retention requirements.

Recommendations: None

Standard A-07

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 7.

The Company is licensed for the lines of business that are being written.

18 Del. C. §318(a), §505(b), §508(b).

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement. This standard is intended to assure that the Company operations are in conformance with the Company’s certificate of authority.

Results: **Pass**

Observations: The Company is licensed for all lines of business that are being written.

Recommendations: None

Standard A-08

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 8.

The Company cooperates on a timely basis with examiners performing the examinations.

18 Del. C. §318(a), §320(c), §508(b), §520(b)3.

Comment: Review methodology for this standard is “generic” review. This standard has a direct insurance statutory requirement. This standard is aimed at assuring that the company is cooperating with the state in the completion of an open and cogent review of the company’s operations in Delaware. Cooperation with examiners in the conduct of an examination is not only required by statute, it is conducive to completing the examination in a timely fashion and minimizing cost.

Results: **Pass, but needs improvement.**

Observations: The Company cooperated on a timely basis with the examiners performing the examination. Response to some criticisms or errors was delayed. This generally related to the Company ability to retrieve information from its files.

Recommendations: It is recommended that the Company implement a more efficient system for dealing with criticisms or errors in a timelier manner.

It is recommended that the Company structure a process to assure that requested files can be readily retrieved and tracked.

Standard A-09

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 9.

The Company has procedures for the collection, use and disclosure of information gathered in connection with insurance transactions to minimize any improper intrusion into the privacy of applicants and policyholders.

Comments: This standard has not been tested. Issues that are of a concern under this standard are tested under Standards A-11 through A-16.

Results: **Not Tested**

Observations: None

Recommendations: None

Standard A-10

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 10.

The company had developed and implemented written policies, standards and procedures for the management of insurance information.

Comments: This standard has not been tested. Issues that are of a concern under this standard are tested under Standards A-11 through A-16.

Results: **Not Tested**

Observations: None

Recommendations: None

Standard A-11

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 11.

The company has policies and procedures to protect the privacy of nonpublic personal information relating to its customers, former customers and consumers that are not customers.

18 Del. C. §318(a); 18 Del. C. §508(b); 18 Del. C. §535; 18 DE Reg. 904.

Comments: Review methodology for this standard is “generic” review. This standard has a direct insurance statutory requirement. This standard is intended to assure that the Company has appropriate procedures in place to protect the privacy of applicants and policyholders.

Results: **Pass**

Observations: Company policies, practices and procedures regarding protection and disclosure of nonpublic personal information of customers, former customers and consumers who are not customers comply with applicable state laws regarding privacy.

There were no privacy-related consumer complaints or inquiries submitted during the exam period.

Recommendations: None

Standard A-12

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 12.

The company provides privacy notices to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information.

18 Del. C. §318(a); 18 Del. C. §508(b); 18 Del. C. §535; 18 DE Reg. 904.

Comments: Review methodology for this standard is “generic” review. This standard has a direct insurance statutory requirement. This standard is intended to assure that the Company provides adequate protection for information it holds concerning its policyholders and minimizes any improper intrusion into the privacy of applicants and policyholders.

Results: **Pass**

Observations: Privacy notices are provided by the Company to its customers and, if applicable, to its consumers who are not customers regarding treatment of nonpublic personal financial information.

Recommendations: None

Standard A-13

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 13.

If the company discloses information subject to an opt out right, the company has policies and procedures in place so that nonpublic personal financial information will not be disclosed when a consumer who is not a customer has opted out, and the company provides opt out notices to its customers and other affected consumers.

18 Del. C. §318(a); 18 Del. C. §508(b); 18 Del. C. §535; 18 DE Reg. 904

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observations: The Company does not disclose nonpublic personal information relating to customers or consumers who are not customers beyond the scope permitted under 18 DE Reg. 904 § 8.0, § 9.0 and § 10.0. Communications the company makes regarding opt out rights are accurate and are in compliance with applicable law.

Recommendations: None

Standard A-14

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 14.

The company's collection, use and disclosure of nonpublic personal financial information are in compliance with applicable statutes, rules and regulations.

18 Del. C. §318(a) & §508(b)

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observations: The Company discloses nonpublic personal financial information of its customers or consumers who are not customers to nonaffiliated third parties for joint marketing purposes. The Company does not disclose nonpublic personal financial information that it receives from a nonaffiliated financial institution.

Recommendations: None

Standard A-15

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 15.

The Company has policies and procedures in place so that nonpublic personal health information will not be disclosed except as permitted by law, unless a customer or a consumer who is not a customer has authorized the disclosure.

18 Del. C. §318(a) & §508(b)

Comments: Review methodology for this standard is by “generic” review.

Results: **Pass**

Observations: The Company has policies and procedures in place so that nonpublic personal health information will not be disclosed. The Company has policies and procedures in place to secure authorizations from its customers and consumers who are not customers before disclosing their nonpublic personal health information to nonaffiliated third parties.

Recommendations: None

Standard A-16

NAIC Market Conduct Examiners Handbook - Chapter XVII. §A, Standard 16.

Each licensee shall implement a comprehensive written information security program for the protection of nonpublic customer information.

18 Del. C. §318(a) & §508(b)

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observations: The Company has implemented a comprehensive written information security program for the protection of nonpublic customer information. This security program includes administrative, technical, and physical safeguards that help to ensure this protection.

Recommendations: None

B. COMPLAINTS/GRIEVANCES

Evaluation of the Standards in this business area is based on Company response to various information requests (IR items) and complaint files at the Company. In this business area, "complaints" includes "grievances." 18 Del. C. §2304(17) requires the Company to "...maintain a complete record of all complaints received." The statute also requires that "this record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of these complaints and the time it took to process each complaint." Delaware definition of a complaint is: "...any written communication primarily expressing a grievance."

Standard B-01

NAIC Market Conduct Examiners Handbook - Chapter XVII. §B, Standard 1.

All complaints or grievances are recorded in the required format on the company complaint register.

18 Del. C. §2304(17); Del. Reg. 101§2.1.7.

Comments: Review methodology for this standard is "generic" review. This standard has a direct insurance statutory requirement. This standard is concerned with whether the Company keeps formal track of complaints or grievances as required by statute. An insurer is required to maintain a complete record of all the complaints received. The record must indicate the total number of complaints since the last examination, the classification of each complaint by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.

Results: **Pass**

Observations: Only two registered complaints were reported to the DDOI. Confirmation of complaints was handled appropriately by CIGNA. All issues were resolved in a timely manner.

Recommendations: None

Standard B-02

NAIC Market Conduct Examiners Handbook - Chapter XVII. §B, Standard 2.

The company has adequate complaint/grievance handling procedures in place and

communicates such procedures to policyholders.

18 Del. C. §318(a), §508(b), §2304(17).

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard has a direct insurance requirement. This standard is concerned with whether the company has an adequate complaint handling procedure and whether the company communicates complaint handling procedures to its members or policyholders.

Results: **Pass**

Observation: A random sample of complaint files was reviewed from the complaint logs for 2002 - 2003. The review tested the adequacy of information provided to the complainant.

Type	Sampled	Pass	Fail	NA	% Pass
Complaints	2	2	0	0	100%

Recommendations: None

Standard B-03

NAIC Market Conduct Examiners Handbook - Chapter XVII. §B, Standard 2.

The Company takes adequate steps to finalize and dispose of the complaint/grievance in accordance with applicable statutes, rules and regulations, and contract language.

18 Del. C. §318(a), §508(b), §2304(17).

Comments: Review methodology for this standard is by “sample” review. This standard does not have a direct insurance statutory requirement, however reasonable disposition is inferred by the fact that disposition information is required to be noted in the complaint log. This standard is concerned with whether the Company deals with the subject matter in a complaint/grievance.

Results: **Pass**

Observation: A random sample of complaint files was reviewed from the complaint logs for 2002 - 2004. The review tested the quality of the handling of the subject matter in the complaint and whether issues raised were fully addressed by responses.

Type	Sampled	Pass	Fail	NA	% Pass
Complaints	2	2	0	0	100%

Recommendations: None

Standard B-04

NAIC Market Conduct Examiners Handbook - Chapter XVII. §B, Standard 4.

The time frame within which the company responds to complaints/grievances is in accordance with applicable statutes, rules and regulations.

18 Del. C. §318(a), §508(b), §2304(17).

Comments: Review methodology for this standard is by “electronic,” “generic” and “sample” review. This standard does not have a direct insurance statutory requirement, however timeliness is inferred. In the case of complaints/grievances concerning claims, direct time requirements are found in regulation. This standard is concerned with whether the company has a timely response to complaints/grievances. Delaware’s complaint handling section uses a 15 day standard for response to complaints.

Results: **Pass**

Observations: A random sample of complaint files was reviewed from the complaint logs for 2001 and 2003. The review tested the timing of the initial response to written complaints.

Table B-04-1		Complaint Sample Results			
Type	Sampled	Pass	Fail	NA	% Pass
Complaints	2	2	0	0	100%

Recommendations: None

Standard B-05

NAIC Market Conduct Examiners Handbook - Chapter XVII. §B, Standard 4.
Documentation of complaints is adequate and in accordance with applicable statutes, rules and regulations.

18 Del. C. §318(a), §508(b), §2304(17).

Comments: Review methodology for this standard is by “sample” review. This standard does not have a direct insurance statutory requirement, however documentation is inferred. This standard is concerned with whether the company has adequate documentation to demonstrate handling and disposition of the complaint.

Results: **Pass**

Observations: A random sample of complaint files from the complaint logs for 2002 and 2004 were requested for review by the examiners. The concerns tested with this Standard are:

- That the documentation of the complaint file is sufficient to demonstrate that there was appropriate disposition of the complaint.

Table B-05-1		Complaint Sample Results			
Type	Sampled	Pass	Fail	NA	% Pass
Complaints	2	2	0	0	100%

Recommendations: None

C. GRIEVANCE PROCEDURES

This business area was not tested during this examination. It has been included in the review of Complaints in Section B.

D. MARKETING AND SALES

The evaluation of standards in this business area is based on review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to evaluate the representations made by the Company about its product(s). It is not typically based on sampling techniques but can be. The areas to be considered in this kind of review include all media (radio, television, videotape, etc.), written and verbal advertising and sales materials.

Standard D-01

NAIC Market Conduct Examiners Handbook - Chapter XVII. §D, Standard 1.

All advertising and sales materials are in compliance with applicable statutes, rules and regulations.

18 Del. C. §318(a), §508(b), §2304(1), §2304(2), §2304(20).

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement. This standard is intended to assure compliance with the prohibitions on misrepresentation. It is concerned with all forms of media (print, radio, television, etc.).

Results: **Pass**

Observations: The Company has no “high-level” Advertising procedure in place. The Company’s advertising objective is to educate employees and producers about the products and services that drive growth. The advertising materials provided were limited to “brand-name” awareness, not advertising a particular product. The Company does not solicit business through the internet. Products and services are provided on CIGNA’s website. Visitors to that site are directed to the local CIGNA sales office. No buyer guides have been provided. No training manuals and tapes are used by the company. CIGNA communicates with producers by letters, electronic messages, phone and web site.

Recommendations: None.

Standard D-02

NAIC Market Conduct Examiners Handbook - Chapter XVII. §D, Standard 2.

Company internal producer training materials are in compliance with applicable statutes, rules and regulations.

18 Del. C. §2304(1); 18 Del. C. §2304(2); 18 Del. C. §2304(20); 18 DE Reg. 1203.

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement. This standard is intended to assure compliance with the prohibitions on misrepresentation. It is concerned with training or instructional representations made by the Company to its producers.

Results: **Pass**

Observations: See Observations for Standard D-01.

Recommendations: None.

Standard D-03

NAIC Market Conduct Examiners Handbook - Chapter XVII, §D, Standard 3.

Company communications to producers are in compliance with applicable statutes, rules and regulations.

18 Del. C. §2304(1); 18 Del. C. §2304(2); 18 Del. C. §2304(20); 18 DE Reg. 1203.

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement. This standard is intended to assure compliance with the prohibitions on misrepresentation. It is concerned with representations made by the Company to its producers in other than a training mode.

Results: **Pass**

Observations: The primary method of communication utilized by the Company with its brokers is electronic. This communication takes the form of email alerts that are designed to cover specific topics that are important to be communicated on a timely basis. In addition, brokers receive an electronic newsletter quarterly that provides in-depth articles on both regional and national product rollouts and Company initiatives.

The Company’s brokers also have access to the CIGNA web-site “Producer World” designed specifically for them. This web-site allows brokers to communicate 24 hours a day, 7 days a week and to access information about compensation, obtain forms, etc.

Recommendations: None

Standard D-04

NAIC Market Conduct Examiners Handbook - Chapter XVII, §D, Standard 4.

Company rules on replacement are in compliance with applicable statutes, rules and regulations.

18 Del. C. §318(a), §508(b), §2304(1), §2304(20); Del. Reg. 1203; Del. Reg. 1204.

Comments: **This standard has not been tested.**

Results: **Not Tested**

Observations: None

Recommendations: None

Standard D-05

NAIC Market Conduct Examiners Handbook - Chapter XVII. §D, Standard 5.
Outline of coverage is in compliance with applicable statutes, rules and regulations.
18 Del. C. §318(a), §508(b), §2304(1).

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement. This standard is intended to assure compliance with portability provisions of HIPAA.

Results: **Pass**

Observations: Outline of coverage’s used by the Company’s producers has been authorized by the company. The company maintains complete and detailed descriptions of its rating and underwriting practices for individuals and small groups at its principal place of business.

Recommendations: None

Standard D-06

NAIC Market Conduct Examiners Handbook - Chapter XVII. §D, Standard 6.
Company has suitability standards for its products when required by applicable statutes, rules and regulations.
18 Del. C. §318(a), §508(b), §2304(1). Del. Reg. 1203.

Comments: **This standard has not been tested.**

Results: **Not Tested**

Observations: None

Recommendations: None

Standard D-07

NAIC Market Conduct Examiners Handbook - Chapter XVII. §D, Standard 7.
Marketing for long term care products complies with state laws.
18 Del. C. §318(a), §508(b), §2304(1). Del. Reg. 1203.

Comments: **This standard has not been tested.**

Results: **Not Tested**

Observations: None

Recommendations: None

E. NETWORK ADEQUACY

The evaluation of standards in this business area is based on review of Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to assure that the Company offering managed care plans maintain service networks that are sufficient to assure that all services are accessible without unreasonable delay. The standards require the Company to assure the adequacy, accessibility, and quality of health care services offered through their service networks.

Standard E-01

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 1.

The Company demonstrates, using reasonable criteria that it maintains a network that is sufficient in number and types of providers to assure that all services to covered persons will be accessible without unreasonable delay.

18 Del. C. §318(a), §508(b), & §6404(2).

Comments: Review methodology for this standard is by “generic” review. This standard has a direct statutory requirement. It is not file specific. Review methodology is a generic review. The standard provides an assurance that the Company utilizing a managed care network maintains a network that is adequate to meet the needs of its members.

Results: **Pass**

Observations: The Company demonstrates network sufficiency using necessary reasonable criteria. The Company has developed and complied with written policies and procedures specifying when it shall pay for out-of-area and out-of-network services that are required by a covered person. The Company has demonstrated that it monitors its providers, provider groups, and intermediaries with which it contracts on an ongoing basis.

Recommendations: None

Standard E-02

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 2.

The Company has filed an access plan for each managed care plan that the Company offers in the state, and files updates whenever it makes a material change to an existing managed care plan. The Company makes the access plans available: (1) on its business premises, (2) to regulators; and (3) to interested parties absent proprietary information upon request.

18 Del. C. §318(a), §508(b), & §6404(2).

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct insurance statutory requirement. It is referenced in the statutes and regulations of the Department of Health and Social Services relating to managed care operations. It is not file specific. Review methodology is a generic review. Failure to provide for adequate access dilutes the effectiveness of a Company and may lead to financial difficulties. An access plan should consist of:

- procedures for making referrals inside and outside of its network;
- a process for monitoring and assuring on an ongoing basis the sufficiency of the network to meet the health care needs of its members;
- efforts to address the needs of covered persons with limited English proficiency and illiteracy, with diverse cultural and ethnic backgrounds, and with physical and mental disabilities;
- methods for assessing the health care needs of covered persons and their satisfaction with services;
- method of informing covered persons of the plan’s services and features, including but not limited to, the plan’s grievance procedures, its process for choosing and changing providers, and its procedures for providing and approving emergency and specialty care;
- system for ensuring the coordination and continuity of care for covered persons referred to specialty physicians, for covered persons using ancillary services, including social services and other community resources, and for ensuring appropriate discharge planning;
- process for enabling covered persons to change primary care professionals;
- proposed plan for providing continuity of care in the event of contract termination between the Company and any of its participating providers, or in the event of the Company’s insolvency or other inability to continue operations.

Results: **Pass**

Observations: The Company has filed an access plan for each managed care plan that the Company offers in the state of Delaware. The Company files updates whenever there are changes made to any existing managed care plan. The Company makes access plans available to all persons required by law.

Recommendations: None

Standard E-03

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 3.

The Company files all required contract forms, and any material changes to a contract, proposed for use with its participating providers and intermediaries.

18 Del. C. §318(a), §508(b), §6404(2),

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct insurance statutory requirement. It is referenced in the statutes and regulations of the Department of Health and Social Services relating to managed care operations. It is not file specific. This standard is primarily focused on adequacy of the delivery system.

Results: **Pass**

Observations: All forms and endorsements have been filed with the DOI. All provider contracts have been compared and all providers are listed in the provider directory.

Recommendations: None

Standard E-04

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 4.

The Company ensures covered persons have access to emergency services twenty-four (24) hours per day, seven (7) days per week within its network and provides coverage for emergency services outside of its network.

18 Del. C. §318(a), §508(b), & §6404(2)

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct insurance statutory requirement. It is specifically referenced in the statutes and regulations of the Department of Health and Social Services relating to Company’s managed care operations. It is not file specific. This standard is primarily focused on emergency services necessary to screen and stabilize a covered person and should not require prior authorization.

Results: **Pass**

Observations: Within the provider network, the Company operates or contracts with facilities to provide covered persons with access to emergency services. The Company covers emergency services necessary to screen and stabilize a covered person and does not require prior authorization of such services if a person acting reasonably would have believed that an emergency medical condition existed.

Recommendations: None

Standard E-05

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 5.

The Company executes written agreements with each participating provider that are in compliance with applicable statutes, rules and regulations.

18 Del. C. §318(a), §508(b), & §6404(2)

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct insurance statutory requirement. It is referenced in the statutes and regulations of the Department of Health and Social Services relating to managed care operations. It is not file specific. This standard is aimed at assuring that the billings from participating physicians are in agreement with the provisions of their contract with the Company.

Results: **Pass**

Observations: Contracts between the Company and participating providers or contains a “hold harmless” provision specifying protection for covered persons from being billed by providers. Contracts between the Company and a participating providers contains provisions ensuring that, in the event of the insolvency of the Company or an intermediary, covered services to covered persons will continue through the period for which a premium has been paid or until the covered person’s discharge from an inpatient facility, whichever is greater.

Recommendations: None

Standard E-06

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 6.

The Company’s contracts with intermediaries are in compliance with applicable statutes, rules and regulations.

18 Del. C. §318(a), §508(b), & §6404(2)

Comments: Review methodology for this standard is by “generic” review. This standard does not have a direct insurance statutory requirement. It is referenced in the statutes and regulations of the Department of Health and Social Services relating to managed care operations. It is not file specific. This standard is aimed at assuring an adequate level of monitoring by the Company when it enters into contracts with intermediaries.

Results: **Pass**

Observations: The Company’s contracts with intermediaries are in compliance with applicable statutes rules and regulation.

Recommendations: None

Standard E-07

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 7.

The Company's arrangements with participating providers comply with statutes, rules and regulations.

18 Del. C. §318(a), §508(b), & §6404(2).

Comments: Review methodology for this standard is by “generic” review. This standard has an indirect insurance statutory requirement. This standard is intended to assure that a Company's contracts with participating providers comports with the services offered to members. A Company should:

- establish a mechanism by which the participating provider will be notified on an ongoing basis of the specific covered health services for which the provider will be responsible, including any limitations or conditions on services;
- establish selection standards for its participating providers;
- provide adequate notice to its participating providers of the Company's applicable administrative policies and programs. This includes but is not limited to payment terms, utilization review, quality assessment and improvement programs, credentialing, grievance procedures, data reporting requirements, confidentiality requirements and any applicable federal or state programs;
- require a provider to make health records available to appropriate state and federal authorities involved in assessing the quality of care or investigating the grievances or complaints of covered persons, and to comply with the applicable state and federal laws related to the confidentiality of medical or health records;
- notify the participating providers of their obligations, if any, to collect applicable coinsurance, co-payments or deductibles from covered persons pursuant to the evidence of coverage, or of the providers' obligations, if any, to notify covered persons of their personal financial obligations for non-covered services;
- establish a mechanism by which the participating providers may determine in a timely manner whether or not a person is covered by the Company; and,
- establish a procedure for resolution of administrative, payment or other disputes between providers and the Company.

A Company should not

- offer any inducement under the managed care plan to a provider to provide less than medically necessary services to a covered person;
- prohibit a participating provider from discussing treatment options with covered persons irrespective of the Company's position on the treatment options, or from advocating on behalf of covered persons with in the utilization review or grievance processes established by the Company or a person contracting with the Company; and,
- penalize a provider because the provider, in good faith, reports to state or federal authorities any act or practice by the Company that jeopardizes patient health or welfare.

Results: **Pass**

Observations: The Company's arrangements with participating providers comply with statutes rules and regulations.

Recommendations: None

Standard E-08

NAIC Market Conduct Examiners Handbook - Chapter XVII, §E, Standard 8.

The Company provides at enrollment a Provider Directory listing all providers participating in its network. It makes available, on a timely basis, updates to its directory.

18 Del. C. §318(a), §508(b), & §6404(2).

Comments: Review methodology for this standard is by "generic" review. This standard has a direct insurance statutory requirement. This standard is intended to assure that the members of the Company have access to current information concerning providers participating in the Company network.

Results: **Pass**

Observations: Most members access the Company's provider directory via DocFind, CIGNA's on-line tool for locating participating providers. DocFind is updated three times weekly to assure members have access to current and accurate participating provider information. Paper directories are updated and printed annually in the fall. These may be made available through plan sponsors or members can call directly into member services and request that a copy be sent.

Recommendations: None

F. PRODUCER LICENSING

The evaluation of standards in this business area is based on review of DDOI information and Company responses to information requests, questions, interviews, and presentations made to the examiner. This portion of the examination is designed to test the Company's compliance with Delaware producer licensing laws and rules.

Standard F-01

NAIC Market Conduct Examiners Handbook - Chapter XVII, §F, Standard 1.

Company records of licensed and appointed producers agree with Delaware Insurance Department records.

18 Del. C. §318(a), §508(b), §1703 & §1715(a).

Comments: Review methodology for this standard is by "electronic" and/or "generic" review. This standard has a direct insurance statutory requirement. It is not file specific. This standard is aimed at assuring compliance with the requirement that producers be

properly licensed and appointed. Such producers are presumed to be qualified, having met the test for such license.

18 Del. C. §1703 states: “A person shall not sell, solicit or negotiate insurance in this State for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this chapter.”

18 Del. C. §1715(a) states: “An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.”

Results: Pass

Observations: No discrepancies were found between the Companies list of licensed and appointed producers and the Delaware Department of Insurance list. Company licensing records clearly include dates of appointment and termination for each producer, as well as a brief description of termination decision.

Recommendations: None

Standard F-02

NAIC Market Conduct Examiners Handbook - Chapter XVII. §F, Standard 2.

The producers are properly licensed, and if an agent appointed, for insurance solicited in Delaware.

18 Del. C. §318(a), §508(b), §1703, §1715(a) & §1715(b).

Comments: Review methodology for this standard is by “electronic” and/or “generic” review. This standard has a direct insurance statutory requirement. As applied in this section, it is not file specific. This standard is aimed at assuring compliance with the requirement that producers be properly licensed and appointed for business solicited in Delaware.

18 Del. C. §1703 states: “A person shall not sell, solicit or negotiate insurance in this State for any class or classes of insurance unless the person is licensed for that line of authority in accordance with this chapter.”

18 Del. C. §1715(a) states: “An insurance producer shall not act as an agent of an insurer unless the insurance producer becomes an appointed agent of that insurer. An insurance producer who is not acting as an agent of an insurer is not required to become appointed.”

18 Del. C. §1715(b) states: “To appoint a producer as its agent, the appointing insurer shall file, in a format approved by the Insurance Commissioner, a notice of appointment within 15 days from the date the agency contract is executed or the first insurance application is submitted. An insurer may also elect to appoint a producer to all or some insurers within the insurer's holding company system or group by the filing of a single appointment request. The group appointment

provision of this section is only applicable upon implementation by this Department of an electronic appointment process.”

Results: Pass

Observations: The Company does have a procedure for licensing and appointment of agents. All appointment forms are completed prior to the writing of business on behalf of the Company. All new producers are required to be licensed and appointed prior to: solicitation, proposal requests or paid compensation of any new business. No discrepancies were found between the Company lists of commissions paid to licensed and/or appointed producers with corresponding Delaware Department of Insurance lists. Licensing and appointment occurred prior to the payment of commissions by the Company.

Recommendations: None

Standard F-03

NAIC Market Conduct Examiners Handbook - Chapter XVII. §F, Standard 3.

Termination of producers complies with statutes regarding notification to the producer and notification to the State of Delaware.

18 Del. C. §318(a), §508(b), §529, §1712, & §1716.

Comments: This standard has a direct insurance statutory requirement. It is generally not file specific. This standard is aimed at avoiding unlicensed placements of insurance.

Results: Pass

Observations: The Company follows as all mandated procedures for termination notification by the state. Terminations for cause, which rarely occur, are communicated to the Delaware Department of Insurance

Recommendations: None

Standard F-04

NAIC Market Conduct Examiners Handbook - Chapter XVII. §F, Standard 4.

The company’s policy of producer appointments and terminations do not result in unfair discrimination against policyholders.

18 Del. C. §318(a), §508(b), §2304(13)a, & §2304(22)a.

Comments: Review methodology for this standard is by “electronic” and/or “generic” review. This standard has a direct insurance statutory requirement. It is generally not file specific. This standard is concerned with potential geographical discrimination through the insurer’s selection and instructions to its producers. The tests are intended to expose indicators of such practice and may not be conclusive.

Results: Pass

Observations: No significant difference was found between the numbers of appointments/terminations for current review period versus the previous review period. ZIP code listings were reviewed and determined that the placement of producers does not under-serve or over-serve specific geographical areas.

Recommendations: None

Standard F-05

NAIC Market Conduct Examiners Handbook - Chapter XVII. §F, Standard 5.

Records of terminated producers adequately document reasons for terminations.

18 Del. C. §318(a), §508(b), & §1716.

Comments: Review methodology for this standard is by “generic” and/or “sample” review. This standard has a direct insurance statutory requirement. It is generally file specific. This standard is intended to aid in the identification of producers involved in unprofessional behavior which is harmful to the public. 18 Del. C. §1716(a) provides: “Termination for cause. -- An insurer or authorized representative of the insurer that terminates the appointment, employment, contract or other insurance business relationship with a producer shall notify the Insurance Commissioner within 30 days following the effective date of the termination, using a format prescribed by the Insurance Commissioner, if the reason for termination is one of the reasons set forth in § 1712 of this title or the insurer has knowledge the producer was found by a court, government body or self-regulatory organization authorized by law to have engaged in any of the activities in § 1712. Upon the written request of the Insurance Commissioner, the insurer shall provide additional information, documents, records or other data pertaining to the termination or activity of the producer.”

Results: **Pass**

Observations: Reasons for termination of individual producers are adequately and accurately documented. Notifications of all terminations for cause are communicated to the Delaware Department of Insurance.

Recommendations: None.

Standard F-06

NAIC Market Conduct Examiners Handbook - Chapter XVII. §F, Standard 6.

Producer accounts current (account balances) are in accordance with the producer’s contract with the insurer.

18 Del. C. §318(a), §508(b), §1712(a)(4) & §1716

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement. It is generally file specific. The focus of this standard is to aid in the detection of fraud or misuse of funds held by the producer in a fiduciary capacity. 18 Del. C. §1712(a)(4) states:

“(a) The Insurance Commissioner may place on probation, suspend, revoke

or refuse to issue or renew an insurance producer's license or may levy a penalty in accordance with subsection (d) of this section or any combination of actions, for any 1 or more of the following causes:

(4) Improperly withholding, misappropriating or converting any moneys or properties received in the course of doing insurance business.””

Results: **Pass**

Observations: The Company’s agents/producers do not hold premiums that are due to CHC-DE, thus this Standard is not applicable.

Recommendations: None

G. CREDENTIALING

This business area was not tested during this examination.

H. POLICYHOLDER SERVICES

The evaluation of standards in this business area is based on review of Company responses to information requests, questions, interviews, and presentations made to the examiner and file sampling during the examination process. The policyholder service portion of the examination is designed to test a company’s compliance with statutes regarding notice/billing, delays/no response, premium refund and coverage questions.

Standard H-01

NAIC Market Conduct Examiners Handbook - Chapter XVII, §H, Standard 1.
Premium notices and billing notices are sent out with an adequate amount of advance notice.

18 Del. C. §318(a), §508(b), §3905, §3911.

Comments: This standard has a direct insurance statutory requirement. It is generally file specific. The focus of this standard is Company provision to insured’s with information in a timely fashion so they can make informed decisions.

Results: **Pass**

Observations: The Company’s procedures for handling renewals are in accordance with guidelines. Premium notices for endorsements were sent timely and not at policy expiration. Dates of billing and expiration include adequate amounts of advance notice. Billing processes include adequate timelines and procedures.

Recommendations: None

Standard H-02

NAIC Market Conduct Examiners Handbook - Chapter XVII, §H, Standard 2.

Policy issuance and insured-requested cancellations are timely and appropriate.

18 Del. C. §318(a), §508(b), & §2712.,§3915.

Comments: This standard does not have a direct insurance statutory requirement. It is generally file specific. The focus of this standard is Company provision to insured's with information in a timely fashion so they can make informed decisions.

Results: **Pass**

Observation: Member-requested cancellations are handled in a timely manner without excessive paperwork requirements for the member. The Company meets its own standards for timely member-requested cancellations. The unearned premium is returned within 45 days of receipt of the request for cancellation.

Recommendations: None

Standard H-03

All correspondence directed to the Company is answered in a timely and responsive manner by the appropriate department.

18 Del. C. §318(a), §508(b), §2304(16)b & §2304(17).

Comments: This standard has a direct insurance statutory requirement. It is generally file specific. The focus of this standard is Company provision to insureds with information in a timely fashion so they can make informed decisions.

Results: **Pass**

Observations: Correspondence to company is directed to and responded by the appropriate department. Original questions or problems addressed in correspondence are properly addressed in a timely manner. The company meets its own standards for timely response.

Recommendations: None

Standard H-04

NAIC Market Conduct Examiners Handbook - Chapter XVII, §H, Standard 4.

Reinstatement is applied consistently and in accordance with policy provisions.

18 Del. C. §318(a), §508(b), §2304(16)b & §2304(17).

Comments: None

Results: **Pass**

Observations: Reinstatement notices are sent in a timely manner. Reinstatement provisions applied consistently and in a nondiscriminatory manner. Reinstatements are applied per policy provisions.

Recommendations: None

Standard H-05

NAIC Market Conduct Examiners Handbook - Chapter XVII, §H, Standard 5.

Policy transactions are processed accurately and completely.

18 Del. C. §2304(16)b; 18 Del. C. §2304(17).

Comments: None.

Results: **Pass**

Observations: Proper documentation is maintained by the Company for bank draft acceptance and clearance requests. Policyholder requests are processed as soon as reasonably possible. The Company only allows non-renewal or discontinuance for appropriate and acceptable situations. The company complies with the provisions of COBRA and HIPAA with respect to continuation of coverage, including required notice periods for withdrawing products from the market

Recommendations: None

Standard H-06

NAIC Market Conduct Examiners Handbook - Chapter XVII, §H, Standard 6.

Non-forfeiture options are communicated to the policyholder and correctly applied in accordance with the policy contract. (LTC)

18 Del. C. §2304(16)b; 18 Del. C. §2304(17).

Comments: **This standard has not been tested.**

Results: **Not Tested**

Observations: None

Recommendations: None

Standard H-07

NAIC Market Conduct Examiners Handbook - Chapter XVII, §H, Standard 7.

Evidence of creditable coverage is provided in accordance with the requirements of HIPAA and/or statutes, rules, and regulations.

18 Del. C. §318(a), §508(b), §2304(16)b & §2304(17).

Comments: None

Results: Pass

Observations: The Company issues creditable coverage certificates as required. The Company issues certificates automatically and upon request. Certificates are issued automatically to all entitled COBRA individuals within the appropriate timeline. Creditable coverage certificates include all required information. The Company does issue compliance certificates within appropriate guidelines. Duplicate certificates are provided free of charge through member services.

Recommendations: None

Standard H-08

NAIC Market Conduct Examiners Handbook - Chapter XVII. §H, Standard 8.

Whenever the company transfers the obligation of its contracts to another company pursuant to an assumption reinsurance agreement, the company has gained prior approval of the insurance department and the company has sent the required notices to its' affected policyholders.

18 Del. C. §318(a), §508(b), §2304(1).

Comments: None.

Results: Pass

Observation: The Company has not entered into any assumption reinsurance agreements during the examination period.

Recommendations: None

Standard H-09

NAIC Market Conduct Examiners Handbook - Chapter XVII. §H, Standard 9.

Policyholder service for long term care products complies with state laws.

18 Del. C. §318(a), §508(b), §2304(1).

Comments: **This standard has not been tested.**

Results: Not Tested

Observations: None

Recommendations: None

I. QUALITY ASSESSMENT AND IMPROVEMENT

This business area was not tested during this examination.

J. UNDERWRITING AND RATING

The evaluation of standards in this business area is based on review of Company responses to information requests, questions, interviews, presentations made to the examiner, and file sampling. The underwriting and rating practices portion of the examination is designed to provide a view of how the company treats the public and whether that treatment is in compliance with applicable statutes, rules and regulations. It is typically determined by testing a random sampling of files and applying various tests to the sampled files. It is concerned with compliance issues.

Standard J-01

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 1.

The rates charged for the policy coverage are in accordance with filed rates.
 18 Del. C. §318(a), §508(b), & §2517.

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard has a direct insurance statutory requirement. It is file specific. It is necessary to determine if the company is in compliance with rating systems which have been filed with and approved by DDOI. Rates should not be unfairly discriminatory. Wide-scale application of incorrect rates by a Company may raise financial solvency questions or be indicative of inadequate management oversight. Deviation from established rating plans may also indicate a company is engaged in unfair competitive practices.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts in force during the examination period. Concerns tested with this standard include:

- Correct use of classification and other rating factors;
- Rating information that comports with information in the application;
- Appropriate use of manual rules;
- Appropriate basis of premium;
- Correct implementation date for rates.

Table J-01-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

Standard J-02

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 2.

All mandated disclosures are documented and in accordance with applicable statutes, rules and regulations.

18 Del. C. §318(a), §508(b), §2304(1)a , §2517, §2719, & §3532.

Comments: Review methodology for this standard is by “sample” review. This standard has a direct insurance statutory requirement. It is necessary to provide insureds with appropriate disclosures, both mandated and reasonable. Without appropriate disclosures, insureds find it difficult to make informed decisions.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Quotations are documented, accurate and timely as supported by data in underwriting file.
- Changes in coverage are disclosed timely.
- Changes in renewal rates are disclosed timely.
- All mandated offers of coverage have been disclosed.

Table J-02-1	Underwriting Sample Results				
Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

Standard J-03

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 3.

Company does not permit illegal rebating, commission cutting or inducements.

18 Del. C. §318(a), §508(b), & §2304(14).

Comments: Review methodology for this standard is by “electronic”, “generic” and “sample” review. This standard has a direct insurance statutory requirement. It is generally file specific. Illegal rebating, commission cutting or other illegal inducements are a form of unfair discrimination.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Quotations are documented, accurate and timely as supported by data in underwriting file.
- Changes in coverage are disclosed timely.
- Changes in renewal rates are disclosed timely.
- All mandated offers of coverage have been disclosed.

Table J-03-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

Standard J-04

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 4.

All forms including contracts, riders, endorsement forms and certificates, are filed with the Department of Insurance.

18 Del. C. §318(a), §508(b), & §2304(14).

Comments: Review methodology for this standard is by “sample” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observations: A random sample of files was not reviewed during this examination. Concerns tested with this Standard were tested by a review of the related Company policies and procedures. These subjects include:

- Underwriting file contains complete and signed application.
- All forms and endorsements that form part of the contract are listed on the declarations page.

Table J-04-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

Standard J-05

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 5.

The Company underwriting practices are not unfairly discriminatory. The Company adheres to applicable statutes, rules and regulations and Company guidelines in the selection of risks.

18 Del. C. §318(a), §508(b), §2304(14), §2504(a), §2509, §2609, & §2615

Comments: Review methodology for this standard is by “electronic”, “generic” and “sample” review. Review methodology for this standard is generic, sample, and electronic. This standard has a direct insurance statutory requirement. It is necessary to provide insureds with appropriate protections from unfair discrimination. Inconsistent handling of rating or underwriting practices, including requests for supplemental information, even if not intentioned, can result in unfair discrimination.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Underwriting decisions supported by data in underwriting file.
- Consistent application of underwriting criteria.
- Company is following its underwriting guidelines.

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

Standard J-06

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 6.

Producers taking an application on Delaware business are properly licensed and appointed.

18 Del. C. §318(a), §508(b), §1713, & §1714.

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Producer was licensed and appointed by the Company at the time of application.

None of the files tested under this Standard contained elements pertinent to the Standard.

Recommendations: None

Standard J-07

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 7.

File documentation adequately supports decisions made.

18 Del. C. §318(a), §508(b), & §2304(1).

Comments: Review methodology for this standard is by “sample” review. Review methodology for this standard is sample. This standard does not have a direct insurance statutory requirement. When underwriting is done with less than the required information, the likelihood of unfair discrimination increases.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Underwriting file contains complete and signed application.
- Application contains sufficient information to identify exposure.

Table J-07-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	49	1	0	98%

Recommendations: None

Standard J-08

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 8.
Policies, riders and endorsements are issued or renewed accurately, timely and completely.
 18 Del. C. §318(a); §508; §2304(7)a

Comments: Review methodology for this standard is by “electronic” and “sample” review. This standard does not have a direct insurance statutory requirement.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Policies and endorsements are issued in appropriate time frames.
- Policies are issued within a reasonable time following completion of the application.

Table J-08-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

Standard J-09

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 9.
Rejections and declinations are not unfairly discriminatory.
 18 Del. C. §318(a), §508(b), §2304(25)a, & §2316.

Comments: Review methodology for this standard is by “generic”, “sample”, and “electronic” review. This standard has a direct insurance statutory requirement. Consistent application of a company’s underwriting rules is the primary method used to avoid unfair discrimination.

Results: **Pass**

Observations: There were no rejections/declinations during the exam period

Recommendations: None

Standard J-10

NAIC Market Conduct Examiners Handbook - Chap XVII, §J, Standards 10.

Cancellation/non-renewal/discontinuance notices comply with policy provisions and state law including the amount of advance notice provided to the insured and other parties to the contract.

18 Del. C. §318(a), §508(b), §2304(24), §3326, §3562, & §3608.

Comments: Review methodology for this standard is by “generic”, “sample”, and “electronic” review. This standard has a direct insurance statutory requirement. Cancellation/non-renewal notice timeframe requirements arose out of abuses that still exist. Policyholders need sufficient time in the event of a cancellation or non-renewal to replace coverage.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Notice of cancellation is appropriate and in compliance with statute.

Table J-10-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Non-renewed	26	26	0	0	100%
Group Health Canceled	13	13	0	0	100%
Totals	29	29	0	0	100%

Recommendations: None

Standard J-11

NAIC Market Conduct Examiners Handbook - Chap XVII, §J, Standard 11.

Cancellation practices comply with policy provisions, HIPAA and state laws.

18 Del. C. §318(a), §508(b), §2304(24), §3326, §3562, & §3608.

Comments: Review methodology for this standard is by “generic”, “electronic” and “sample” review. This standard has a direct insurance statutory requirement. Cancellation/non-renewal notice timeframe requirements arose out of abuses that still exist. Policyholders need sufficient time in the event of a cancellation or non-renewal to replace coverage.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Reason for cancellation/non-renewal was valid according to policy provisions and statute.

Table J-11-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Non Renewed	26	26	0	0	100%
Group Health Canceled	13	13	0	0	100%
Totals	39	39	0	0	100%

Recommendations: None

Standard J-12

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 12.
Unearned premiums are correctly calculated and returned to appropriate party in a timely manner and in accordance with applicable statutes, rules and regulations.
 18 Del. C. §318(a), §508(b), & §2304(7)a.

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard does not have a direct insurance statutory requirement. Prompt return of unearned premiums, assist insureds in replacing coverage.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Unearned premiums are appropriately and timely returned.

Table J-12-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Canceled	13	13	0	0	100%

Recommendations: None

Standard J-13

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 13.
Rescissions are not made for non-material misrepresentation.
 18 Del. C. §318(a), §508(b), & §2711.

Comments: Review methodology for this standard is by “sample” review. This standard does not have a direct insurance statutory requirement. It is file specific. Rescissions generally occur after a claim has been filed. A large number of rescissions can reflect inadequate underwriting efforts. When rescissions are made it should not be for trivial or non-material reasons.

Results: **Pass**

Observations: The Company had no rescissions during the exam period.

Recommendations: None

Standard J-14

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 14.

Pertinent information on applications that form a part of the policy is complete and accurate.

18 Del. C. §318(a), §508(b), & §2304(14), §2304(15).

Comments: Review methodology for this standard is by “generic” and “sample” review.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Pertinent information on the application is appropriately utilized.

Table J-14-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

Standard J-15

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 15.

Company complies with the provisions of COBRA and/or continuation of benefits procedures contained in policy forms, statutes, rules and regulations.

18 Del. C. §318(a), §508(b), & §2304(13).

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard reflects a Federal statutory requirement. COBRA (Consolidated Omnibus Budget Reconciliation Act of 1996) is a federal requirement that allows individuals to continue their group coverage for specified periods of time. In accordance with the provisions of HIPAA, changes were effected January 1, 1997

- An individual may have 29 months of coverage under COBRA if they become disabled during the first 60 days of COBRA coverage. The 29 month extension must also apply to non-disabled family members who were entitled to COBRA coverage.
- COBRA continuation coverage generally can be terminated when an individual becomes covered under another group health plan which could include a state continuation or risk pool program. COBRA cannot be terminated because of other coverage where the plan limits or excludes coverage for any pre-existing condition of the individual. HIPAA limits the circumstances under which a plan may impose a pre-existing exclusion period on individuals. If a plan is precluded under HIPAA from imposing an exclusion period on any individual (i.e. it must cover the individual’s pre-existing condition) COBRA continuation coverage may be terminated.

- Children who are born, adopted, or placed for adoption are “qualified beneficiaries” and are thus eligible for COBRA. (There is no longer a restriction that they be covered prior to the COBRA qualifying event to be considered a “qualified beneficiary”)
- Guaranteed access requirements to individual insurance must be provided when COBRA benefits are exhausted.
- If an individual declines coverage due to “other coverage,” COBRA benefits may be required to be exhausted before a “special enrollment” period is allowed due to non-coverage. Note that rules on special enrollment are complex.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Compliance with COBRA provisions.

None of the files tested under this Standard contained elements pertinent to the Standard.

Recommendations: None

Standard J-16

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 16.

The company complies with proper use and protection of health information in accordance with statutes, rules, and regulations.

18 Del. C. §318(a), §508(b), & §2304(13).

Comments: Review methodology for this standard is by “generic” review.

Results: **Pass**

Observations: The Company complies with proper use and protection of health information in accordance with statutes rules and regulations.

Recommendations: None

Standard J-17

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 17.

The company complies with the provisions of HIPAA and state laws regarding limits on the use of pre-existing exclusions.

18 Del. C. §318(a), §508(b), & §2304(7)a.

Comments: Review methodology for this standard is by “sample” review. Review methodology for this standard is sample. This standard reflects a Federal statutory requirement.

Results: Pass

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Appropriate use of pre-existing conditions exclusions.

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%
Totals	50	50	0	0	100%

Recommendations: None

Standard J-18

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 18.

The company 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. §318(a), §508(b), & §2304(7)a.

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard reflects a Federal statutory requirement.

Results: Pass

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Prevention of inappropriate rejections or declinations.

None of the files tested under this Standard contained elements pertinent to the Standard.

Recommendations: None

Standard J-19

NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 19.

The company issues coverage that complies with guaranteed issue requirements of HIPAA and related state laws for groups of 1 to 50.

18 Del. C. §318(a), §508(b), & §2304(13).

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard reflects a Federal statutory requirement.

Results: Pass

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Compliance with guaranteed issue provisions.

Table J-19-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	18	0	32	100%

Recommendations: None

Standard J-20

<i>NAIC Market Conduct Examiners Handbook - Chapter XVII, §J, Standard 20.</i>
The company issues individual insurance coverage to eligible individuals entitled to portability under the provisions of HIPAA and in compliance with statutes, rules, and regulations.
18 Del. C. §318(a), §508(b), & §2304(13).

Comments: Review methodology for this standard is by “sample” review.

Results: **Pass**

Observations: A random sample of files as noted in the following table was reviewed from the listing of contracts issued during the examination period. Concerns tested with this Standard include:

- Compliance with HIPAA portability provisions.

Table J-20-1 **Underwriting Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Issued	50	50	0	0	100%

Recommendations: None

K. UTILIZATION REVIEW

This business area was not tested during this examination.

L. CLAIMS PRACTICES

The evaluation of standards in this business area is based on Company responses to information items requested by the examiner, discussions with Company staff, electronic testing of claim databases, and file sampling during the examination process. This portion of the examination is designed to provide a view of how the company treats claimants and whether that treatment is in compliance with applicable statutes, rules and regulations.

Standard L-01

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 1.

The initial contact by the Company with the claimant is within the required time frame.

18 Del. C. §318(a), §508(b), §2304(16)b

Comments: Review methodology for this standard is by “generic”, “sample”, and “electronic” review. This standard derives directly from 18 Del. C. §2304(16)b which prohibits the "failing to acknowledge and act reasonably promptly upon communication with respect to claims arising under insurance policies." Delaware requires responses to claim communications within 15 working days of receipt of the communication.

Results: **Pass**

Observation: Company procedures, training manuals and bulletins confirm standards for initial contact are in compliance with Delaware statutes, rules and regulations. Initial contact procedures are in place and in compliance with the mandated time frame. Initial contact with claimants, meet required contact standards. Subsequent responses and claim handling delay notices comply with applicable statutes, rules and regulations.

A random sample of files as noted in the following table was reviewed from the listing of those types of claims made during the examination period. Concerns tested with this Standard include:

- That initial contact with claimants meets required contact standards.

Table L-01-1 **Claims Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Closed Paid Claims	100	100	0	0	100%
Group Health Open Claims	31	31	0	0	100%
Totals	131	131	0	0	100%

Recommendations: None

Standard L-02

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 2.

Timely investigations are conducted.

18 Del. C. §318(a), §508(b), §2304(16)c & Del. Reg. 26 §(1)(c)

Comments: Review methodology for this standard is by “generic”, “sample”, and “electronic” review. This standard has a direct insurance statutory requirement. Delaware requires claim investigation within 10 working days of receipt of the notice of loss by the insurer.

Results: **Pass**

Observation: Random samples of Closed Paid Claims were selected and reviewed from the listings of those types of claims made during the examination period. Concerns tested with this Standard include:

- That initial contact with claimants meets required contact standards.
- That subsequent responses and claim handling delay notices comply with applicable statutes, rules and regulations.

Type	Sampled	Pass	Fail	NA	% Pass
Group Closed Paid Claims	100	100	0	0	100%
Group Health Open Claims	31	31	0	0	100%
Totals	131	131	0	0	100%

Recommendations: None

Standard L-03

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 3.

Claims are resolved in a timely manner.

18 Del. C. §318(a), §508(b), §2304(16)e & Del. Reg. 902

Comments: Review methodology for this standard is by “generic”, “sample”, and “electronic” review. This standard has a direct insurance statutory requirement. Failure to resolve claims timely can invite “bad faith” actions. In a Company setting, failure to resolve claims timely can result in a migration of providers from the network with resultant disruption of service to members. Del. Reg. 1310 requires claim resolution or written explanation within 30 day of receipt of claim.

Results: **Pass**

Observation: Company procedures, training manuals and bulletins are in compliance with Delaware statutes, rules and regulations. Claim resolutions, i.e., liability, determinations, coverage questions and claim payment are made in accordance with Delaware claim requirements and Company standards. Company’s records verify delivery of proceeds by producers to beneficiary.

Random samples of Closed Paid Claims were selected and reviewed from the listings of those types of claims made during the examination period. Concerns tested with this Standard include:

- That claim resolutions, i.e., liability, determinations, coverage questions and claim payment are made in accordance with Delaware claim requirements.
- That claim handling delay notices comply with applicable statutes, rules and regulations.

Type	Sampled	Pass	Fail	NA	% Pass
Group Closed Paid Claims	100	100	0	0	100%

Group Health Open Claims	31	30	1	0	97%
Totals	131	130	1	0	99%

Recommendations: None

Standard L-04

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 4.
The Company responds to claim correspondence in a timely manner.
 18 Del. C. §318(a), §508(b), §2304(16)b

Comments: Review methodology for this standard is by “generic”, “sample”, and “electronic” review. This standard has a direct insurance statutory requirement. Delaware requires response to claim communications within 15 working days of receipt of the communication.

Results: **Pass**

Observation:

Company procedures, training manuals and bulletins and standards for timely response to claim correspondence are in compliance with Delaware statutes, rules and regulations. Correspondence related to claims is responded to in accordance with Delaware requirements and Company standards.

Random samples of Closed Paid Claims were selected and reviewed from the listings of those types of claims made during the examination period. Concerns tested with this Standard include:

- That correspondence related to claims is responded to in accordance with Delaware requirements.

Table L-04-1 **Claims Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Closed Paid Claims	100	100	0	0	100%
Group Health Open Claims	31	31	0	0	100%
Totals	131	131	0	0	100%

Recommendations: None

Standard L-05

NAIC Market Conduct Examiners Handbook Chapter XVII, §L, Standard 5.
Claim files are adequately documented.
 18 Del. C. §318(a), §320(c), §508(b), §2304(16) & Del. Reg. 1310

Comments: Review methodology for this standard is generic and sample. This standard has a direct insurance statutory requirement. Without adequate documentation, the various time frames in statute and/or regulation can not be demonstrated.

Results: **Pass**

Observation: Company procedures, training manuals and bulletins confirm standards for file documentation that is in compliance with Delaware statutes, rules and regulations. Company claims file retention/destruction program meet Delaware requirements. The quality of the claim file documentation meets Delaware requirements. The claims file documentation is sufficient to justify the ultimate claim determination.

Random samples of “Closed Paid Claims” and “Closed without Payment Claims” were selected and reviewed from the listings of those types of claims made during the examination period. Concerns tested with this Standard include:

- That the quality of the claim documentation meets Delaware requirements.
- That claim files documentation is sufficient to support or justify the ultimate claim determination.

Table L-05-1 **Claims Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Closed Paid Claims	100	100	0	0	100%
Group Health Denied Claims	50	50	0	0	100%
Group Health Open Claims	31	31	0	0	100%
Totals	181	181	0	0	100%

Recommendations: None

Standard L-06

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 6.

Claims are properly handled in accordance with policy provisions HIPAA and state law.

18 Del. C. §318(a), §508(b), §2304(16)a. §3914 & Del. Reg. 1310

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observation: Random samples of Closed Paid Claims were selected and reviewed from the listings of those types of claims made during the examination period. Concerns tested with this Standard include:

- That claim handling meets Delaware statutes and regulations.
- That coverage was checked for proper application of deductible or appropriate exclusionary language.

Table L-06-1 **Claims Sample Results**

Type	Sampled	Pass	Fail	NA	% Pass
Group Closed Paid Claims	100	100	0	0	100%
Group Health Open Claims	31	31	0	0	100%
Totals	131	131	0	0	100%

Recommendations: None

Standard L-07

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 7.
The Company claim forms are appropriate for the type of product.
 18 Del. C. §318(a), §508(b), §2304(16)d, §2304(16)n.

Comments: Review methodology for this standard is by “sample” and “generic” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observation: A random sample of Closed Paid Claims was selected and reviewed from the listing of Claims made during the examination period. Concerns tested with this Standard include:

- That the use of inappropriate forms does not occur.

Table L-07-1

Type	Claims Sample Results				
	Sampled	Pass	Fail	NA	% Pass
Group Closed Paid	100	100	0	0	100%
Group Health Open	31	31	0	0	100%
Totals	131	131	0	0	100%

Recommendations: None

Standard L-08

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 8.
Claim files are reserved in accordance with the Company’s established procedures.
 18 Del. C. §318(a), §508(b), & §1103

Comments: Review methodology for this standard is by “generic” and “sample” review. This standard has a direct insurance statutory requirement. Loss reserves must be applied in a consistent manner to avoid distortions in the Company’s financial statements and in the development of its rate structures.

Results: **Pass**

Observation: Claim files are reserved in accordance with the Company’s established procedures.

Recommendations: None

Standard L-09

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 9.
Denied and closed-without-payment claims are handled in accordance with policy provisions, HIPAA where applicable and Delaware law.
 18 Del. C. §318(a), §508(b), §2304(16)d, §2304(16)n

Comments: Review methodology for this standard is by “electronic” and “sample” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observation: A random sample of “Closed without Payment Claims” was selected and reviewed from the listings of Claims made during the examination period. Concerns tested with this Standard include:

- That denied and closed-without-payment claims are based on policy provisions and applicable Delaware statutes and regulations.
- That notices of claim denials reference specific policy provisions or exclusions.
- Those claimants are provided with a reasonable basis for the denial when required by statute or regulation.

Type	Sampled	Pass	Fail	NA	% Pass
Group Health Denied	50	50	0	0	100%

Recommendations: None

Standard L-10

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 10.
Cancelled benefit checks reflect appropriate claim handling practices.
 18 Del. C. §318(a), §508(b), §2304(16), & Del. Reg. 26 §(1)

Comments: Review methodology for this standard is by “electronic” and “sample” review.

Results: **Pass**

Observation: There were no canceled benefit checks during the exam period.

Recommendations: None

Standard L-11

NAIC Market Conduct Examiners Handbook Chapter XVII, §L, Standard 11.
Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.
 18 Del. C. §318(a), §508(b), §520(b)2, §2304(16)g, & Del. Reg. 26 §(1)(g)

Comments: Review methodology for this standard is by “sample” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observations: Claim handling practices do not compel claimants to institute litigation, in cases of clear liability and coverage, to recover amounts due under policies by offering substantially less than is due under the policy.

Recommendations: None

Standard L-12

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 12.
The company complies with the requirements of The Newborns' and Mothers' Health Protection Act of 1996.
18 Del. C. §318(a), §508(b), §2304(16), §3341, §3565, §MHPA,

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observation: The Company complies with the requirements of the Newborns' and Mothers' Health Protection Act of 1996.

Recommendations: None

Standard L-13

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 13.
The group health plan complies with the requirements of the Mental Health Parity Act of 1996 (MHPA).
18 Del. C. §318(a), §508(b), §2304(16) §3564, §MHPA

Comments: Review methodology for this standard is by “generic” review. This standard has a direct insurance statutory requirement.

Results: **Pass**

Observation: The group health plan complies with the requirements of the Mental Health Parity Act of 1996.

Recommendations: None

Standard L 14

NAIC Market Conduct Examiners Handbook - Chapter XVII, §L, Standard 14.
The company complies with statutes, rules, and regulations for group coverage replacements.
18 Del. C. §318(a), §508(b), §2304(16) §3564, §MHPA, & Del. Reg. 26 §(1)

Comments: **This standard has not been tested.**

Results: **Not Tested**

Observations: None

Recommendations: None

SUMMARY

CIGNA HealthCare of Delaware, Inc. is a health maintenance organization domiciled in and operating only in the State of Delaware.

The examination was a full scope market conduct examination of the following business areas: Company Operations/Management; Complaint Handling; Marketing/Sales; Network Adequacy; Producer Licensing, Policyholder Service; Underwriting and Rating; and, Claims.

Significant issues arising during the course of the examination include

- Upon examination of CIGNA HealthCare, examiners found that the company had many processes in place, but very few written procedures.
- Very few measurement structures were found during the examination.

Recommendations have been made to address the areas of concern noted during the examination. These are summarized in the following section.

LIST OF RECOMMENDATIONS

Recommendation - Procedure 03 - Electronic records control

It is recommended that the company formulate, adopt and implement a written electronic records control procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 04 - File backup

It is recommended that the company formulate, adopt and implement a written File Backup procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.

- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 05 - File Maintenance and Control

It is recommended that the company formulate, adopt and implement a written File Maintenance and Control procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 06 – Record Retention

It is recommended that the company formulate, adopt and implement a written Record Retention procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 07 – Computer security

It is recommended that the company formulate, adopt and implement a written Computer Security procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 08 – Documentation for Computer Screens and Programs

It is recommended that the company formulate, adopt and implement a written Documentation for Computer Screens and Programs procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.

- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 27 – Underwriting and Selection

It is recommended that the company formulate, adopt and implement a written Underwriting and Selection procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 41 – Underwriter Training

It is recommended that the company formulate, adopt and implement a written underwriter training procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation - Procedure 42 – Underwriting File Documentation

It is recommended that the company formulate, adopt and implement a written underwriting file documentation procedure. It is also recommended that the procedure address:

- Revision and audit history of the process adopted.
- Adequate training for persons affected by the procedure.
- Management exercise of oversight and control of the process addressed by the written procedure.
- Formulation and use of measurement structures to assure the Company that the procedure is working as intended.
- Utilization of the measurement structures to revise the procedure when indicated.

Recommendation – Standard A-08-1 – Cooperation with Examiners

It is recommended that the Company implement a more efficient system for dealing with criticisms or errors in a timelier manner.

Recommendation – Standard A-08-2 – Cooperation with Examiners

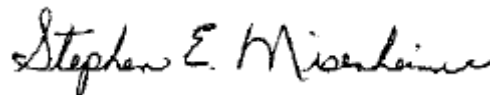
It is recommended that the Company structure a process to assure that requested files can be readily retrieved and tracked.

CONCLUSION

The examination was supervised by Donald P. Koch. It was conducted by Stephen E. Misenheimer, Examiner in Charge. Participating examiners were Sean Connolly and Brian Tinsley. The report is respectfully submitted,



Donald P. Koch, CIE
Supervising Market Conduct Examiner
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