

**Report of the
Targeted Market Conduct Examination**

**For the
Maine Bureau of Insurance**

Of

**LIFE INSURANCE COMPANY OF
NORTH AMERICA**

NAIC Company # 65498
Philadelphia, Pennsylvania

**CONNECTICUT GENERAL LIFE
INSURANCE COMPANY**

NAIC Company # 62308
Bloomfield, Connecticut

and

**CIGNA HEALTH AND LIFE INSURANCE
COMPANY**

(formerly known as Alta Insurance)

NAIC Company # 67369
Bloomfield, Connecticut

July 30, 2024

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July 30, 2024

Superintendent Robert L. Carey
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Maine Bureau of Insurance
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Superintendent Carey:

Pursuant to the authority granted by ME. REV. STAT. ANN. tit. 24-A, § 221, your instructions, and the instructions of your predecessors in office, and following the *NAIC Market Regulation Handbook*, a targeted market conduct examination has been conducted of the disability income claim handling practices of:

Life Insurance Company of North America

Connecticut General Life Insurance Company

Cigna Health and Life Insurance Company
(formerly known as Alta Insurance)

hereinafter generally referred to as the “Company” or either “NY Life” (when discussing operations after December 31, 2020) or “Cigna” (when discussing operations prior to December 31, 2020). See, *infra*, p. 4 (regarding a December 31, 2020 transfer of control). The report of that examination is herewith respectfully submitted.

PURPOSE OF EXAMINATION

The Maine Bureau of Insurance called an examination of CIGNA on September 15, 2009, pursuant to ME. REV. STAT. ANN. tit. 24-A, § 221(1) which provides:

For the purpose of determining its financial condition, fulfillment of its contractual obligations and compliance with the law, the superintendent shall examine the affairs, transactions, accounts, records and assets of each authorized insurer...as often as the superintendent determines advisable.

As discussed below, the examination has included multiple phases – including becoming a multistate targeted market conduct examination from 2016 through 2020 – to evaluate the Company’s long-term disability (“LTD”) income claim handling practices. In its final phase, the purpose of the examination was to determine whether the Company’s claim handling practices conformed with the terms of a 2013 regulatory settlement agreement and the insurance laws generally and to verify the successful implementation of the associated practices and procedures.

BACKGROUND

The Maine Bureau of Insurance initiated a targeted market conduct examination of the Company’s LTD claim handling practices on September 15, 2009. The California Department of Insurance and the Massachusetts Division of Insurance conducted single state exams concurrently with Maine in 2009 and 2010. As a result of those exams, on May 13, 2013, the Company entered into a signed regulatory settlement agreement (“RSA”) with the California Department of Insurance, Connecticut Insurance Department, Maine Bureau of Insurance, Massachusetts Division of Insurance, and Pennsylvania Insurance Department on May 13, 2013. In addition, insurance regulators from 44 other states elected to subscribe to the RSA which addressed concerns raised in the exams, required implementation of certain “enhanced business

practices”, and included a remediation program in which the “enhanced business practices” were applied retrospectively to certain denied/terminated claims.

The RSA required a two-year monitoring period during which the Company would complete remediation and implement the enhanced business practices. With the Examiners’ assistance, the monitoring states – California, Connecticut, Maine, Massachusetts, and Pennsylvania – coordinated to conduct the monitoring period and review the remediation program. (The Examination was held open for this purpose.) The RSA also provided for a re-examination at the close of the monitoring period. That examination took the form of a multistate targeted market conduct examination conducted in 2016-2017 with California, Connecticut, Maine, Massachusetts, and Pennsylvania serving as Lead States, along with 44 participating jurisdictions. The 2016-17 re-examination produced negative preliminary results. The Lead States then conducted a re-examination in 2019, which produced significantly better results. Those results, presented in the April 7, 2020, Multistate Targeted Market Conduct Examination report, suggested that CIGNA had satisfied its remediation obligations and that the LTD claim handling reforms implemented by the Company’s new management team had begun to succeed. The Examiners recommended closure of the multistate examination, no adverse regulatory action, and an accelerated review of LTD claim handling practices through continuation of the single-state market conduct examinations conducted on a coordinated basis. The Lead States adopted this recommendation and the multistate examination was closed.

Maine then continued the Examination as a single-state examination conducted on a coordinated basis with the former Lead States. That coordinated examination process is the subject of this report.

COMPANY PROFILE & EXAMINATION REVIEW

At all relevant times, the insurers comprising the Company and writing LTD coverage have been licensed insurance companies domiciled in the State of Connecticut and the Commonwealth of Pennsylvania and authorized to write life and health insurance in Maine. Life Insurance Company of North America is a Pennsylvania company and a direct wholly-owned subsidiary of New York Life Insurance Company (NAIC Group # 0826) (“New York Life”). Prior to acquisition by New York Life on December 31, 2020, Life Insurance Company of North America was the primary member of the Cigna Group (NAIC # 901) writing group LTD coverage.

Scope of Examination

The purpose of the examination was to determine whether the Company’s claim handling practices conform with the standards reflected in the National Association of Insurance Commissioners (“NAIC”) *Unfair Methods of Competition and Unfair and Deceptive Acts and Practices in the Business of Insurance Model Act* (1972), *NAIC Claims Settlement Practices Model Act* (1990), the RSA, and ME. REV. STAT. ANN. tit. 24-A, §§ 2151-2189.

Examination Review

The three elements of the current examination phase involved a pilot sample of LTD claim files, review of NY Life’s written policies and procedures regarding the handling of LTD claims, and a full-scale review of randomly selected LTD claim files.

The first element involved a pilot sample of fifteen LTD claim files for claims that the Company denied or adversely terminated in March of 2022. The Examiners reviewed the pilot sample in the spring and summer of 2022 and provided a summary of that review to the Lead States on August 17, 2022. The Examiners then provided feedback to the Company on

September 8, 2022. The Company acknowledged the feedback and provided specific responses to each concern raised on October 12, 2022.

With regard to the second element, the examiners requested copies of the Company's written policies and procedures, which it produced in November of 2022. The Examiners reviewed the materials and identified no concerns.

To conduct the random sample review that constituted the third element, the Examiners requested that the Company produce a population database reflecting all of the Company's LTD claims denied or terminated from April 1, 2022 through June 30, 2022 for residents of jurisdictions other than New York.¹ The Company produced the database, and after acceptance testing, the Examiners applied screens to eliminate claims that were voluntarily terminated or did not involve the application of discretion or judgment. The Examiners then drew a random sample of 125 LTD claim files and applied operational and geographic controls to ensure the review included a representative set of files. The Examiners circulated the selections to NY Life on December 8, 2022. The Company produced claim files on a rolling basis in late December 2022 and early 2023 and made supplemental productions as described below.

The Examiners reviewed the selected claim files during 2023. After initial review, the Examiners requested follow-up on eleven claims. Those requests mostly concerned the completeness of files and issues involving the production of older records. The Company promptly provided additional information where possible and requested copies of archived physical claims where necessary. In addition, the Company determined that one of the files was included in error, so the Examiners made an alternative selection. The Examiners reviewed the additional information and replacement file before presenting preliminary findings to the former

¹ The former Lead States coordinated with the New York Department of Financial Services which was conducting a parallel LTD-related examination.

lead states on March 7, 2024. The Lead States then directed that the Examiners share the preliminary findings with the Company and discuss any areas of concern.

Discussion with the Company was productive and resolved a number of Examiner concerns concerning quantitative findings, the Examiners raised concerns with NY Life's handling of six out of 125 claims – a 4.8% error rate. These concerns involved:

- Incorrect application of policy language;
- Undue delay in making a claim determination or communicating with the claimant;
- Performing independent medical evaluations or functional capacity evaluations pursuant to RSA Exhibit D;
- Inadequate investigation/vocational analysis; and,
- Inadequate claimant communication (e.g. updating claimants on changes in benefit payments such as suspension or reinstatement of benefits).

Concerning qualitative findings, the Examiners identified no current LTD claim handling practices or procedures that would tend to impede claimants' opportunity to prove their claims and observed no indications of anti-claimant bias.

In several instances, the Examiners raised concerns that the Company later addressed adequately during the standard internal appeal process. In other cases, the concerns did not affect the amount of or entitlement to benefits. Accordingly, there were only two claim files in which there appeared to be a potential that additional benefits may be due. The Company undertook additional investigation and analysis of these files. In one instance, the Company's findings satisfied the Examiners that no further benefits are owed. In the other instance, the Company reopened the file and paid additional benefits through the maximum benefit duration.

Examiner Recommendations

The 4.8% observed error rate is below the 7% benchmark set forth in the *Handbook* for auditing claim practices. See *Id.*, ch. 17-D.3. Additionally, the concerns raised in this examination largely reflected “execution” or “human” errors rather than problematic policies and procedures. The Examiners recommend no further regulatory action.

ACKNOWLEDGEMENT

The Bureau and the Examiners acknowledge and appreciate the consistent courtesy and cooperation of the officers and employees of the Company during the Examination. In addition to the undersigned, Stuart T. Leslie, Esq., James A. Wachta, Esq., Margaret C. Fitzgerald, Esq., and Peyton L. Sternfeld, Esq. of Verrill Dana, LLP, participated in this examination.

Respectfully submitted,

J. David Leslie, Esq.
Examiner-in-Charge
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Sworn before me this 30th day of July, 2024

Notary Public
My commission expires:

