

Report on Examination
of
Cigna HealthCare of Florida, Inc.
Tampa, Florida
as of
December 31, 2018



**FLORIDA OFFICE OF
INSURANCE REGULATION**



OFFICE OF INSURANCE REGULATION

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COMMISSIONER

David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

Dear Sir:

In accordance with Section 641.27, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Cigna HealthCare of Florida, Inc. as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation
May 1, 2020

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of Cigna HealthCare of Florida, Inc. (Company), a Florida health maintenance organization (HMO). The examination covered the period of January 1, 2017 through December 31, 2018 and took place primarily in the Company's Tampa, Florida office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (Office) was as of December 31, 2016.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes (F.S.) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective

conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings of a significant nature.

COMPANY HISTORY

The Company was incorporated in Florida on February 10, 1981 and licensed by the Office as a Health Maintenance Organization (HMO) on February 14, 1983 in accordance with Part I of Chapter 641, (F.S.). The Company operated as an individual practice association (IPA) model.

Mergers and Acquisitions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period of this examination.

CORPORATE RECORDS

The minutes of the company's shareholder and Board of Directors (the Board) meetings were reviewed for the period examined. The minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., which includes the authorization of investments as required by Section 641.35(7), F.S.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company paid an ordinary dividend in the amount of \$1,000,000 to Healthsource, Inc. (the Parent) in 2017. The Company did not distribute dividends in 2018. The Company did not receive capital contributions during the period examined.

MANAGEMENT AND CONTROL

The Company was wholly owned by Healthsource, Inc., which was wholly owned by Cigna Health Corporation (CHC). The ultimate parent was Cigna Corporation, a Delaware corporation. Cigna corporation stock was publicly traded on the New York Stock Exchange.

The Company's senior officers and directors were:

Senior Officers

<u>Name</u>	<u>Title</u>
Morris D. Mirabella	President
Anna R. Krishtul	Secretary
Scott R. Lambert	Treasurer

Board of Directors

<u>Name</u>	<u>Location</u>
Michael T. Crompton	Bloomfield, CT
Edward N.Hunsinger	Lewisville, NC
Scott T. Josephs, M.D.	Raleigh, NC

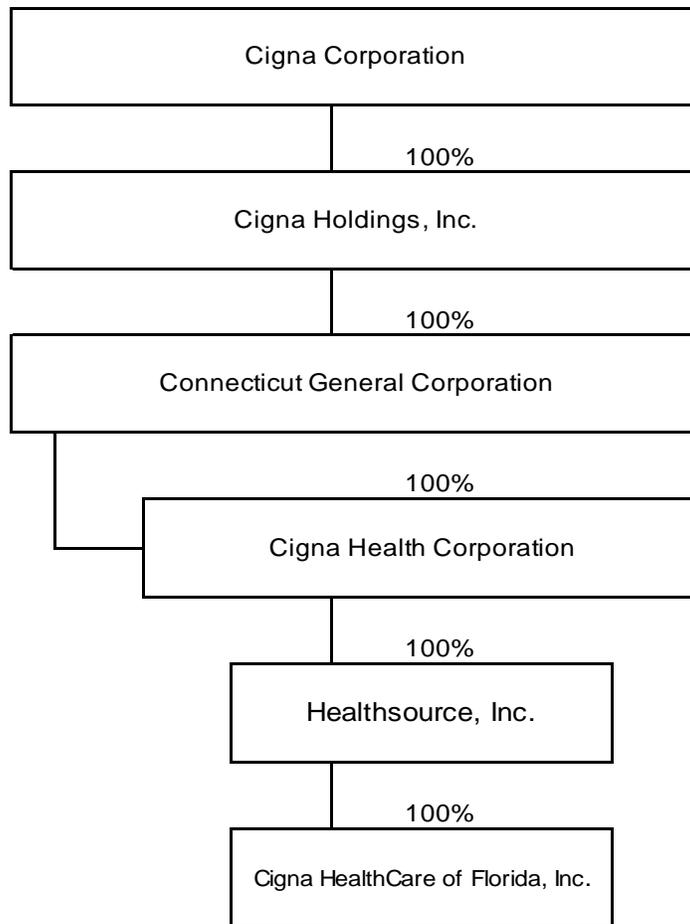
Audit Committee

David Bourdon
Mary Agoglia Hoeltzel
Ryan Loyd
Mark Parsons
Jeffrey T. Rigg
Neil B. Tanner
Jonathan Winderman
James Yablecki

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.), on April 1, 2019.

An abbreviated organizational chart reflecting a holding company system is shown below.

**Cigna HealthCare of Florida, Inc.
Abbreviated Organizational Chart
December 31, 2018**



AFFILIATED AND OTHER AGREEMENTS

The following agreements were in effect between the Company and its affiliates.

Investment Advisory Agreement

Effective May 2009, there was an Investment Advisory Agreement between Cigna Investments, Inc. and the Company whereby Cigna Investments, Inc. acted as the investment adviser of the Company's investment portfolio.

Consolidated Federal Income Tax Agreement

Amended and Restated on January 1, 1997, and effective January 31, 2012, the Company entered into an Amended and Restated Consolidated Federal Income Tax Agreement, which stated that Cigna's indirectly wholly owned domestic subsidiary insurance companies had entered into a Consolidated Federal Income Tax Agreement (Tax Agreement), which became effective as of April 1, 1982. The Tax Agreement set forth the method of allocation of federal income taxes for Cigna and its wholly owned domestic subsidiaries, including insurance subsidiaries. It provided for immediate reimbursement to companies with net operating losses to the extent that their losses were used to reduce consolidated taxable income; while those companies with current taxable income as calculated under federal separate return provisions, were liable for payment determined as if they had each filed a separate return. However, current credit was given for any foreign tax credit, operating loss or investment tax credit carryovers actually used in the current consolidated return. The Company participated as a party to the agreement.

Investment Pooling Agreement

The Company was added to the Investment Pooling Agreement on February 19, 2013. The Company, along with Cigna Corporation and certain of its affiliates, were parties to an investment

pool agreement which provided for participation in a pool of short-term investments to facilitate effective cash management. There were no fees separately assessed related to this agreement.

Line of Credit Agreement

Effective October 1, 2005, the Company entered into a Line of Credit Agreement with CHC and certain Cigna Corporation subsidiaries, whereby CHC offered to loan funds to ensure the Company continued to meet its operational cash obligations and earn additional investment income.

Management Services Agreement

The Management Services Agreement between CHC and certain Cigna Corporation subsidiaries, including the Company, provided management services through CHC to the Company and its affiliated HMOs. The agreement effective date was January 1, 1994 and latest amendment was effective July 1, 2012. The parties wished to amend the agreement to include payment of, and other services in connection with the payment of, Medical Loss Ratio Rebates. In 2018, the Company paid \$159,393 in management fees.

Network Access Agreement

Effective June 12, 2001, the Network Access Agreement between Connecticut General Life Insurance Company (CGLIC) and certain Cigna Corporation subsidiaries, including the Company, allowed each of the HMOs to utilize the networks of Participating Providers maintained by its affiliated HMOs.

Participating Mail Order Pharmacy Agreement

Effective January 1, 2005 and later amended to add additional parties to the agreement, the Company entered into the Participating Mail Order Pharmacy Agreement with Tel-Drug, Inc. and

Tel-Drug of Pennsylvania. Under the agreement, Tel-Drug, Inc. and Tel-Drug of Pennsylvania provided mail order pharmaceutical services to the Company.

Dental Consultation Agreement

Effective October 1, 2000, the Dental Consultation Agreement was between Cigna Dental Health, Inc. and certain subsidiaries of CHC, including the Company. Under this agreement, Cigna Dental Health, Inc. provided dental consultations at the request of the Company with respect to selected dental cases.

Cigna Health Access Premium Billing Authorization Agreement

The Cigna Health Access Premium Billing Authorization Agreement was between CGLIC and certain subsidiaries of Cigna Corporation, including the Company. The Company offered group and individual standard service agreements providing coverage of in-network health care services, and CGLIC supplements the Company's service agreements by providing group insurance coverage of out-of-network health care services. The agreement effective date was May 14, 1996 and later amended to add additional parties to the agreement.

Health Management (IntraCorp) Agreement

There was a Health Management Agreement with Cigna Health Management, Inc. (formerly known as International Rehabilitation Associates, Inc.), CGLIC, and CHC and certain subsidiaries of Cigna Corporation, including the Company. Under this agreement, Cigna Health Management, Inc. provided consultative services with respect to utilization management, case management, demand management, disease management, and care management to the Company. This agreement was effective January 1, 2001 and later amended on January 1, 2004. Amendments stipulated that capitalized terms used in the amendment have the same meaning as in the

original agreement, unless defined differently in the amendment. Appendix A, Schedule of Services was deleted and replaced with a document entitled “Appendix A, Schedule of Services.”

Fee Sharing Agreement

Effective August 4, 2014 and later amended with Exhibit A – State Riders to the Fee Sharing Agreement. The Fee Sharing Agreement between Cigna Corporation and certain of its subsidiaries, including the Company, whereby the Company paid Cigna Corporation their share of the Affordable Care Act fee and Cigna paid the fee on behalf of the subsidiaries as one payment.

Mental Health Services Agreement

The Mental Health Services Agreement was between Cigna Behavioral Health, Inc., CHC and certain subsidiaries of Cigna Corporation, including the Company. Cigna Behavioral Health, Inc. provided mental health and substance abuse services to the enrollees of the HMOs on behalf of their subsidiaries, including the Company. The effective date was January 1, 1990 and later amended with amendments one through eight. The amendments changed the names of the parties to conform to their current corporate names.

TERRITORY AND PLAN OF OPERATION

The Company held a current health care provider certificate issued by the Florida Agency for Health Care Administration pursuant to Chapter 641, F.S. and Section 59-12.003 F.A.C.

As an IPA model HMO operating solely in Florida, the Company provided health care services to 254 members as of December 31, 2018. Member months for 2018 were reported at 2,570. The Company was licensed only in the State of Florida with the authorized service in 16 counties.

COMPANY GROWTH

The Company reported the following for years 2017 through 2018:

(Dollars are in millions.)

	<u>2017</u>	<u>2018</u>
Member months	3,319	2,570
Year-end enrollment	301	254
Premiums	\$ 1.5	\$ 1.1
Revenues	\$ 1.5	\$ 1.1
Underwriting deductions	\$ 1.5	\$ 1.2
Net income	\$ -	\$ 0.1
Shareholder dividends	\$ 1.0	\$ -
Paid in surplus received	\$ -	\$ -
Admitted assets	\$ 3.3	\$ 3.2
Liabilities	\$ 0.4	\$ 0.3
Capital and surplus	\$ 2.9	\$ 2.9

REINSURANCE

Effective January 1, 1994, the Company entered into a reinsurance agreement with CGLIC. Effective January 1, 2013, the agreement was amended to change the reinsurer to Cigna Health and Life Insurance Company (CHLIC) for all claims incurred on or after January 1, 2013. The agreement was administered by CHC. The Company paid a monthly premium based on an established rate per health plan member and in return, the Company reimbursed a percentage of costs in excess of a deductible for hospital and related services provided to individual health plan members. The required deductible per individual commercial health plan member per calendar year was \$150,000 for the years ended December 31, 2017 and 2018.

ACCOUNTS AND RECORDS

There were no significant examination findings related to the Company's accounts and records.

SURPLUS NOTES

The Company had no surplus notes.

STATUTORY DEPOSITS

The Company maintained on deposit with the Office an insolvency protection deposit of \$1,635,000 in accordance with Section 641.285, F.S., and a Rehabilitation Administrative Expense Fund deposit of \$10,000 in accordance with Section 641.227, F.S.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements.

Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

CignaHealthCare of Florida, inc.
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 2,618,959	\$ -	\$ 2,618,959
Cash, cash equivalents and short-term investments	381,512	-	381,512
	3,000,471	-	3,000,471
Investment income due and accrued	21,364	-	21,364
Uncollected premiums and agents' balances	21,354	-	21,354
Net deferred tax asset	6,019	-	6,019
Aggregate w rite-ins for other than invested assets	119,539	-	119,539
Total admitted assets	\$ 3,168,747	\$ -	\$ 3,168,747
Liabilities			
Claims unpaid	\$ 206,322	\$ -	\$ 206,322
Unpaid claims adjustment expenses	2,266	-	2,266
Aggregate health policy reserves	11,420	-	11,420
Current federal and foreign income tax payable and interest thereon	14,458	-	14,458
Ceded reinsurance premiums payable	2,028	-	2,028
Amounts withheld or retained for the account of others	2,109	-	2,109
Aggregate w rite-ins for other liabilities	19,963	-	19,963
Total liabilities	\$ 258,566	-	\$ 258,566
Capital and Surplus			
Common capital stock	500	-	500
Gross paid in and contributed surplus	15,070,135	-	15,070,135
Unassigned funds (surplus)	(12,160,454)	-	(12,160,454)
Total capital and surplus	2,910,181	-	2,910,181
Total liabilities, capital and surplus	\$ 3,168,747	\$ -	\$ 3,168,747

Cigna HealthCare of Florida, Inc.
Statement of Revenue and Expenses
Year Ended December 31, 2018

Net premium income	\$ 1,094,348
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Total revenues	1,094,348
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Hospital and medical benefits	687,889
Other professional services	53,742
Outside referrals	30,107
Emergency room and out-of-area	120,246
Prescription drugs	169,121
Incentive pool, w ithhold adjustments and bonus amounts	5,060
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Total hospital and medical	1,066,165
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Claims adjustment expenses	23,954
General administrative expenses	50,120
Increase in reserves for life and accident and health contracts	10,280
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Total underw riting deductions	1,150,519
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Net underw riting gain	(56,171)
Net investment income earned	57,692
Net gain or (loss) from agents' or premium balances charged off	170
<hr/>	
Income before federal income tax	1,691
Federal income tax	(5,642)
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Net income	\$ 7,333
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Cigna HealthCare of Florida, Inc.
Statement of Changes in Capital and Surplus
Two Years Ended December 31, 2018

Capital and surplus - December 31, 2016	\$ 3,768,681
Net income	92,767
Change in net deferred income tax	20,941
Change in nonadmitted assets	(7,879)
Dividends to stockholder	(1,000,000)
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Capital and surplus - December 31, 2017	2,874,510
Net income	7,333
Change in net deferred income tax	(14,922)
Change in nonadmitted assets	43,260
	2,910,181
Examination adjustments	-
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Capital and surplus - December 31, 2018	<u>\$ 2,910,181</u>

Cigna HealthCare of Florida, Inc.
Comparative Analysis of Changes in Capital and Surplus
December 31, 2018

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2018 - per annual statement				\$ 2,910,181
	Per	Per	Increase	
	Company	Examination	(Decrease)	
			In Capital	
			& Surplus	
Total assets	\$ 3,168,747	\$ 3,168,747	\$ -	
Total liabilities	\$ 258,566	\$ 258,566	\$ -	-
Capital and surplus, December 31, 2018 - per examination				\$ 2,910,181

COMMENTS ON FINANCIAL STATEMENTS

There were no examination adjustments to the Financial Statements.

SUMMARY OF RECOMMENDATIONS

There were no recommendations for findings of a significant nature.

SUBSEQUENT EVENTS

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, the Office recognizes that it could have a significant impact on all domestic insurers, including the Company. The Office will continue to closely monitor this situation and share information with the Company as appropriate regarding these developments.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Cigna HealthCare of Florida, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2018, the Company's capital and surplus was \$2,910,181 and the Company was in compliance with the minimum capital and surplus requirement of Section 641.225, F.S.

In addition to the undersigned, the following individuals participated in the examination: Ryan Havick CFE, MCM; Michael Nadeau, CPA, CISA, CFE, AES; Steven Mahan, FSA and Charlie Kreske, CFE, MCM, associated with the firm of Eide Bailly, LLP; and from the Florida Office of Insurance Regulation: Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor and Emmaculate Muambo, APIR, Financial Control Specialist.

Respectfully submitted,



Carolyn M. Morgan, APIR
Director, Life & Health Financial Oversight
Florida Office of Insurance Regulation