

Final
Report on the
Medical Loss Ratio Examination
of
Trustmark Life Insurance Company
(Lake Forest, Illinois)
for the
2013 MLR Reporting Year

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information & Insurance Oversight
200 Independence Avenue SW
Washington, D.C. 20201



OVERSIGHT GROUP

October 29, 2020

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information & Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Trustmark Life Insurance Company (the Company) for the 2013 reporting year, including 2013, 2012, and 2011 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

A handwritten signature in blue ink that reads "Christina A. Whitefield".

Christina A. Whitefield, Director
Medical Loss Ratio Division
Oversight Group
Center for Consumer Information & Insurance Oversight
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services

Table of Contents

I.	Executive Summary	4
II.	Scope of Examination	4
III.	Summary of Findings.....	5
IV.	Company Overview	8
	A. Description, Territory, and Plan of Operation	8
	B. Management.....	8
	C. Ownership	9
	D. Agreements	10
	E. Reinsurance.....	10
V.	Accounts and Records.....	10
VI.	Examination Results	10
	A. MLR Data	11
	B. Credibility-Adjusted MLR and Rebate Amount Calculation	14
	C. Rebate Disbursement and Notice.....	14
	D. Compliance with Previous Recommendations	15
VII.	Subsequent Events	15
VIII.	Conclusion, Corrective Actions, Company Responses, and CCIIO Replies.....	15

I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2013 Medical Loss Ratio (MLR) Annual Reporting Form for Trustmark Life Insurance Company (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2013 MLR Annual Reporting Form contains some elements that are not fully compliant with the requirements of 45 CFR Part 158 and that impact consumer rebates. We direct the Company to implement the necessary corrective actions to address the findings detailed in this report to comply with the requirements of 45 CFR Part 158.

The Company informed CCIIO that it exited the markets subject to 45 CFR Part 158 between January 31, 2013 and December 31, 2014. If the Company re-enters the markets that are subject to 45 CFR Part 158, the Company must obtain adequate documentation to accurately determine the group size of policies, correctly determine the market classification of policies, ensure that quality improvement activity (QIA) expenses meet the regulatory definition and that sufficient documentation exists supporting such determinations, ensure that sufficient documentation exists to support premium amounts, and that all amounts are correctly reported and allocated.

Due to the lack of adequate documentation supporting group size and market classification, we cannot, at this time, conclusively assess the impact of the examination findings on the Company's MLRs or whether there would be an additional impact on its rebate liability in any of the states or markets in which it operated. Based on the adjustments that could be quantified, the findings resulted in a net decrease to the Company's reported MLR in the Arizona large group market, increasing the rebate liability for the 2013 reporting year by an estimated \$5,371. In the Nevada and Georgia small group markets, the Indiana large group market, and the nationwide student market, the recalculation reduced the rebate liability for the 2013 reporting year by an estimated total of \$65,277. The examination findings did not result in any change to the Company's reported 2013 MLRs for any of the other states and markets in which it had health insurance coverage subject to 45 CFR Part 158 in effect.

II. Scope of Examination

CCIIO examined the Company's 2013 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. Title 45 CFR Part 158 implements section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Patient Protection and Affordable Care Act (PPACA), generally requires health insurance issuers to submit to the Secretary of the U.S. Department of Health & Human Services (HHS) an annual report concerning premium revenue and expenses related to group and individual health insurance coverage issued. The federal MLR is the proportion of earned premium, less certain taxes and regulatory fees, expended by an issuer on clinical services and activities that improve health care quality in a given state and market, after adjustments for the credibility of the experience or other factors, where applicable, and calculated using the average of three consecutive years of data. Section 2718 also requires an issuer to provide rebates to consumers if it does not meet the MLR

standard (generally, 80% in the individual and small group markets and 85% in the large group market).

This is the first examination of the Company’s MLR Annual Reporting Form performed by CCIIO. The examination covered the reporting period of January 1, 2011 through December 31, 2013, including 2011, 2012, and 2013 experience and claims run-out through March 31, 2014. We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

The Company’s response to each finding appears after the finding in the Conclusion, Corrective Actions, Company Responses, and CCIIO Replies section of this Report. The Company’s implementation of the corrective actions was not reviewed for proof of implementation or subjected to the procedures applied during the examination. CCIIO’s replies are based solely on a review of the Company’s responses. CCIIO reserves the right to review the actual implementation of the Company’s corrective action and proposed action plan for each finding in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate.

III. Summary of Findings

Page	Key Findings
11	Failure to employ standards consistent with the definitions in §158.103 to correctly determine the size of group policyholders – The Company did not correctly obtain the average number of employees from each group policyholder at the time of initial application or policy renewal and therefore could not correctly determine each group’s size and market classification.
11	Failure to assign the correct market classification in accordance with the definitions in §158.103 – In the sample tested, the Company incorrectly classified one policy issued to a large employer as a small group policy in the state of Nevada, and incorrectly classified one individual market policy as a student health insurance policy in the state of California. This resulted in misallocation of the Company’s earned premium and incurred claims between the affected markets. Consequently, \$2,065 in 2013 incurred claims and \$92,242 in 2013 earned premiums were reallocated from the small group to the large group market in the state of Nevada, and \$4,145 in incurred claims and \$38,760 in earned premiums were reallocated from the student market to the individual market in the state of California.
12	Failure to adequately support and accurately allocate expenses for QIA as required by §158.150 and §158.170 – The Company could not fully support the amounts it reported as QIA expenses. Based on a review of the

Page	Key Findings
	supporting documentation that was available, it was estimated that this did not impact the Company's MLRs. In addition, the Company inaccurately allocated certain QIA expenses. As a result, QIA was overstated by a total of \$19 in the individual market, \$51,618 in the small group market, \$15,785 in the large group market, and \$296 in the student market.
11,13	Failure to maintain adequate documentation as required by §158.502 – The Company did not maintain all documents and other evidence necessary to enable CCIIO to verify that it correctly determined each group policyholder's size. In addition, the Company did not maintain adequate documentation to enable CCIIO to verify the accuracy of its premium amounts reported on the 2013 MLR Annual Reporting Form. Consequently, earned premium was increased by \$496 in the individual market and reduced by \$130,847 in the large group market in several states as a result of this examination.
13,14	Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 – The Company reported federal employment taxes on the 2013 MLR Annual Reporting Form line reserved for federal income taxes, rather than on the line reserved for other federal taxes, as required by MLR Annual Reporting Form Filing Instructions. This error did not impact the MLR calculation. In addition, the Company made a calculation error as well as reported an incorrect MLR standard on Part 4, Line 5.1 of the 2013 MLR Annual Reporting Form for the Georgia small group market, and consequently incorrectly reported and paid \$11,538 in rebates instead of \$5,132 in that state and market.

Due to the lack of accurate documentation supporting group size and market classification, we cannot, at this time, conclusively assess whether there were additional errors that would impact the Company's MLRs or rebates. Based on the adjustments that could be quantified, the examination findings resulted in a net decrease to the Company's reported MLR in the Idaho small group market and the Arizona large group market, and net increases in its reported MLRs in the Indiana large group market, the Nevada small group market, and the nationwide student market. In addition, the Company erroneously calculated a rebate of \$11,538 instead of \$5,132 in the Georgia small group market. There was no change to the Company's reported 2013 MLRs or rebates in any other states or markets in which it had health insurance coverage in effect. In some of these states and markets, the Company reported fewer than 1,000 life-years during the three-year aggregation period and is therefore presumed to meet or exceed the applicable MLR standards, in accordance with §158.230(d).

The three-year adjusted, aggregated numerator and denominator, credibility-adjusted MLR, and rebate liability for 2013 for the six states and markets in which the MLRs and/or rebates changed as a result of the examination are shown in the following tables. The differences between the amounts in the "As Recalculated" and "As Filed" rows reflect the net impact of the adjustments made to reallocate the experience of certain misclassified policies, correct the unsupported premium amounts, correct QIA expenses, and correct an MLR standard.

Recalculated MLRs¹ and Rebates for the Individual, Small Group, and Large Group Markets for the 2013 Reporting Year

Arizona

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$14,472,591	\$18,228,126	83.8%	\$64,453
As Recalculated	\$14,471,030	\$18,228,126	83.7%	\$69,824
Difference	(\$1,561)	\$0	(0.1%)	\$5,371

Georgia

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$18,029,467	\$23,720,569	80.3%	\$11,538
As Recalculated	\$17,929,924	\$23,720,569	79.9%	\$5,132
Difference	(\$99,543)	\$0	(0.4%)	(\$6,406)

Idaho

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$4,837,538	\$5,208,434	100.7%	\$0
As Recalculated	\$4,837,100	\$5,208,434	100.6%	\$0
Difference	(\$438)	\$0	(0.1%)	\$0

Indiana

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$7,047,112	\$9,673,770	79.4%	\$104,624
As Recalculated	\$7,046,250	\$9,596,855	80.0%	\$89,569
Difference	(\$862)	(\$76,915)	0.6%	(\$15,055)

Nevada

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$13,947,244	\$19,918,087	74.2%	\$292,244
As Recalculated	\$13,943,137	\$19,825,845	74.5%	\$272,055
Difference	(\$4,107)	(\$92,242)	0.3%	(\$20,189)

Student Health Plans

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$8,861,353	\$11,600,343	78.7%	\$150,804

¹ The MLRs shown may not equal the quotient of the numerator divided by the denominator due to the inclusion of a credibility adjustment, in accordance with §158.230.

	Numerator	Denominator	MLR	Rebate
As Recalculated	\$8,856,246	\$11,561,583	78.9%	\$127,177
Difference	(\$5,107)	(\$38,760)	0.2%	(\$23,627)

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a stock life insurance company domiciled in the state of Illinois. The Company is licensed to sell a variety of life, annuity, and accident and health products in 48 states and the District of Columbia.

During the 2011, 2012, and 2013 MLR reporting years, the Company operated in the individual, small group, large group, and student markets that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2013, the Company reported a total of 39,112 covered lives and \$190,430,796 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158 and a total of 334,344 covered lives and \$272,919,827 in direct earned premium from all health lines of business. The Company's lines of business not subject to the MLR regulations at 45 CFR Part 158 include stop loss coverage, stand-alone dental insurance, and short- and long-term disability coverage.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2013 were:

Officers

<u>Name</u>	<u>Title</u>
Joseph L. Pray	Chief Executive Officer
Philip A. Goss	Chief Financial Officer
Dennis L. Schoff	Secretary
Paul T. Schuster	Treasurer
Albert D. Cole	Actuary
John K. Anderson	Senior Vice President
Nancy M. Eckrich	Senior Vice President
Jerome H. Hitpas	Senior Vice President
Paul J. Lotharius	Senior Vice President
Kathie J. Martine	Senior Vice President
Alex N. Moral	Senior Vice President
Danny L. Simpson	Senior Vice President

Directors

<u>Name</u>
Philip A. Goss

Name
Joseph L. Pray
Dennis L. Schoff

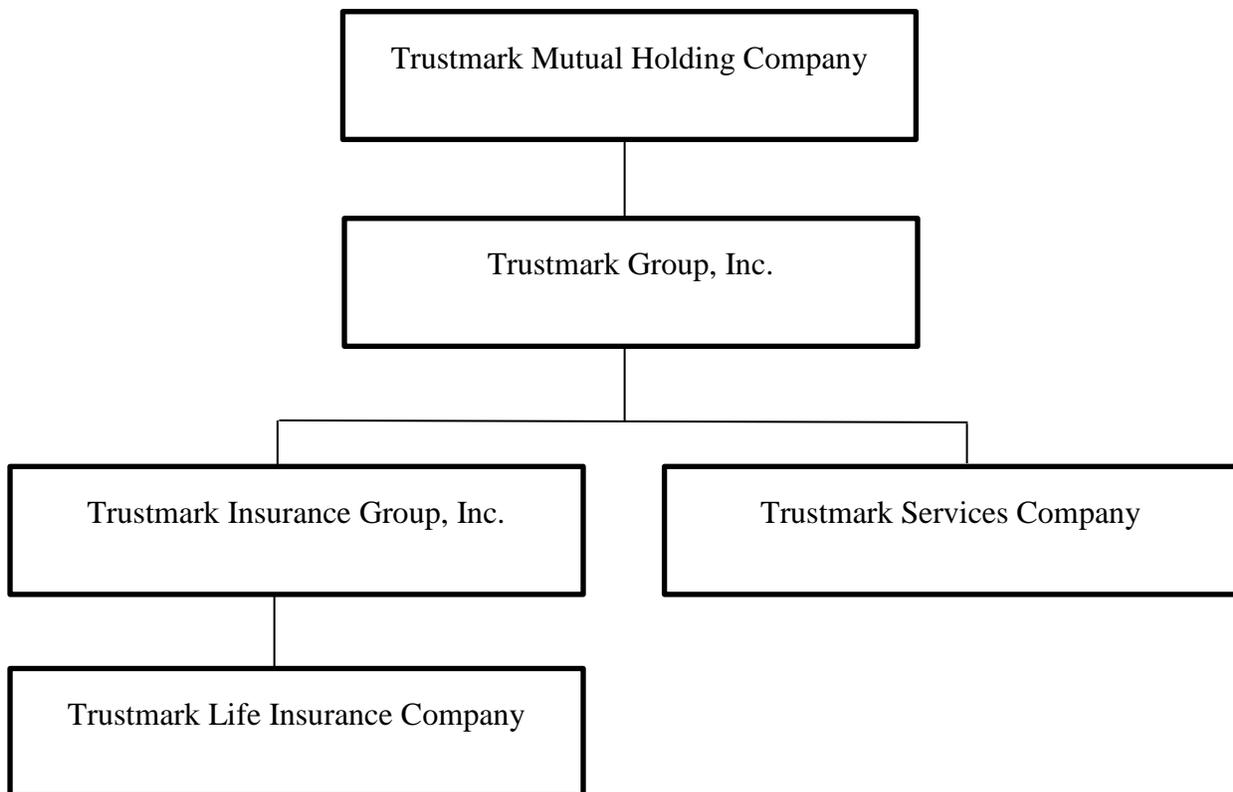
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2013 MLR Annual Reporting Form were:

<u>Name</u>	<u>Title</u>
John K. Anderson	CEO Attester
Philip A. Goss	CFO Attester

C. Ownership

The Company is a member of an insurance holding group system.

Trustmark Life Insurance Company Organizational Chart² as of December 31, 2013



² This is an excerpt from the organization chart provided by the Company and includes only those entities whose relationship to the Company impacted the MLR examination.

D. Agreements

As of December 31, 2013, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Cost Sharing and Services Agreement with Trustmark Services Company and various other affiliated entities.
2. A Tax Allocation Agreement with Trustmark Mutual Holding Company and its affiliated entities.

E. Reinsurance

During 2011, 2012, and 2013, the Company had various ceded reinsurance agreements in place with nonaffiliated entities, including stop loss on medical excess of loss coverage, quota share coverage for student health insurance policies, and various other agreements related to lines of business not subject to 45 CFR Part 158.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 400 Field Drive, Lake Forest, Illinois 60045. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

As noted herein, the Company was not in compliance with §158.502 with regard to maintaining adequate documentation and other evidence necessary to enable CCIIO to verify that the MLRs and rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not obtain accurate information or maintain documentation regarding the employee count of group policyholders, which is necessary to determine group size and market classification. In addition, the Company was unable to provide adequate documentation supporting certain premium amounts reported on its 2013 MLR Annual Reporting Form.

VI. Examination Results

Except as noted in this report, based on the procedures performed, nothing came to our attention that would indicate that the Company's 2011, 2012, and 2013 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2011, 2012, and 2013 MLR Annual Reporting Forms were filed by the due date.

For the 2013 MLR reporting year, the Company reported business subject to the rebate requirements of 45 CFR Part 158 in 114 state market segments. In 78 of those state market segments, including all 41 states in the individual market, the Company reported fewer than 1,000 life-years during the three-year aggregation period and therefore is presumed to meet or exceed the MLR standards in those segments in accordance with §158.230(d). Of the 35 state market segments with 1,000 or more life-years during the three-year aggregation period and that

still had enrollees in 2013,³ the Company reported that it met the MLR standard of 80% for the small group market and 85% for the large group market for 2013 in 11 state market segments and thus was not required to pay rebates to its enrollees in these segments. For 2013, the Company reported that it did not meet the MLR standard in the small group market in 17 states, in the large group market in six states, and in the student market, and was required to and did pay rebates totaling \$5,271,533 in the small group market, \$547,383 in the large group market, and \$150,804 in the student market.

Based on the adjustments that could be quantified, the examination findings resulted in an increase in the Company's rebates owed in the Arizona large group market, and decreases in its rebates owed in the Indiana large group market, the Nevada and Georgia small group markets, and the nationwide student market. However, due to the Company's lack of adequate documentation to support its group size and market classification determinations, we cannot at this time conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

A. MLR Data

Market Classification

Incorrect Procedures for Determining Group Size and Market Classification

The Company adopted policies and procedures for determining group size and market classification that are inconsistent with the definitions in §158.103 applicable to the 2011-2013 reporting years. Section 158.103 employs the applicable definitions of Large Employer, Large Group Market, Small Employer, and Small Group Market in section 2791(e) of the PHS Act. Section 2791(e) of the PHS Act requires that small and large group market classifications be based on the *average number of employees on the business days of the calendar year preceding the coverage effective date*. The Company did not obtain the necessary information from group policyholders to determine employer size in accordance with these definitions, and therefore may have incorrectly determined the market classification for group policies in the period covered by this examination.

Based on the available documentation, the Company determined the group size, and consequently the market classification, of its policies by utilizing the average of the number of employees on the prior and the current renewal date of the policy. The precise impact of the failure to accurately determine group size and market classification cannot be conclusively determined due to the Company's lack of adequate documentation necessary to support its determinations.

Incorrect Reporting of Market Classification

In addition to not employing procedures to correctly determine the average number of employees of its group policyholders, the Company did not consistently assign policies to the correct market classification based on the (possibly incorrect) group size information that was available to the Company. Based on testing of the market classification of the Company's policies, one group policy in the sample selected from the small group market was incorrectly classified by the

³ In one other market segment with more than 1,000 life-years during the three-year aggregation period, the Company had no enrollees in 2013 and thus rebates were not payable.

Company as a small group market policy, when, based on the information available and the Company's (possibly incorrect) group size determinations, the policy should have been reported in the large group market for 2013, as the group had more than 50 employees. Consequently, \$2,065 in 2013 incurred claims and \$92,242 in 2013 earned premiums were reallocated from the small group to the large group market in the state of Nevada.

Additionally, one policy in the sample of 15 was incorrectly classified by the Company as a student health insurance policy, when, based on the information available and the Company's market classification determination process, the policy should have been reported in the individual market. For MLR purposes, student health insurance coverage has the meaning given the term in 45 CFR §147.145, which defines student health insurance coverage as a type of individual health insurance coverage that is provided pursuant to a written agreement between an institution of higher education (as defined in the Higher Education Act of 1965) and a health insurance issuer, and provided to students enrolled in that institution of higher education and their dependents. The incorrectly classified policy covered a high school student and not a student enrolled in an institution of higher education, and therefore should have been reported in the individual market. Consequently, \$4,145 in incurred claims and \$38,760 in earned premiums were reallocated from the nationwide student market to the individual market in the state of California.

Aggregation

Other than the incorrect group size and market classification determinations noted above, based on procedures performed, nothing additional came to our attention that would indicate that the samples of policies, claims, and other items tested during the examination were not correctly assigned to the appropriate markets and lines of business, in accordance with §158.120.

Incurred Claims

Other than the incorrect group size and market classification determinations noted above, based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, nothing additional came to our attention that would indicate that the incurred claims were not accurately reported.

Claims Recovered Through Fraud Reduction Efforts

Based on the procedures performed, no errors were noted in how the Company reported recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities

Insufficient Support for QIA Expenses

The Company did not maintain adequate documentation to support the expenses it reported as QIA. Section 158.502 requires an issuer to maintain all documents and other evidence necessary to enable CCIIO to verify compliance with the definitions and criteria set forth in 45 CFR Part 158 and that the MLR and any rebates owed are calculated and provided in accordance with the regulation.

The largest category of QIA expenses reported by the Company was the salaries of the employees whose roles and responsibilities included QIA. The Company could not provide any time studies of employee activities or otherwise substantiate the salary ratios used to allocate salary costs to QIA. Accordingly, the examiners performed alternative testing procedures, such as reviewing the title and job descriptions and other information obtained from the Company related to employees whose salaries were reported as QIA expenses. Based on the alternative testing procedures, the examiners concluded that the activities did qualify as QIA, and that the salary allocation percentages used by the Company were reasonable. The portion of salaries that may have been improperly included in QIA expenses was deemed to be immaterial and therefore no adjustments were made to the Company's MLR calculations as a result of this finding.

Inaccurate allocation of QIA expenses

On its 2013 MLR Annual Reporting Form, the Company made a number of accounting errors when reporting and allocating QIA expenses. As a result, the Company overstated QIA expenses by a total of \$19 in the individual market, \$51,618 in the small group market, \$15,785 in the large group market, and by \$296 in the nationwide student market.

Based upon the procedures performed, other than the items noted above and the incorrect group size and market classification determinations noted earlier, nothing additional came to our attention that would indicate that QIA expenses were not accurately reported and reasonably allocated among the Company's states and markets, as required by §158.170.

Earned Premium

Based upon substantive testing of the earned premium, the Company did not maintain supporting documentation evidencing cash receipts of premium amounts. Section 158.502 requires an issuer to maintain all documents and other evidence necessary to enable CCHIO to verify compliance with the definitions and criteria set forth in 45 CFR Part 158 and that the MLR and any rebates owed are calculated and provided in accordance with the federal MLR regulations.

The Company could not provide sufficient support for cash receipts or an adequate explanation for the variances between the samples selected and the available documentation for four policies from the sample of 65 tested in the individual market, and for two policies from the sample of 65 tested in the large group market. Consequently, earned premium was increased by a total of \$496 in the California and Washington individual market and reduced by a total of \$130,847 in the Indiana and Tennessee large group market as a result of this examination.

Other than the lack of adequate documentation noted above, as well as the incorrect group size and market classification determinations noted earlier, based upon the procedures performed, nothing additional came to our attention that would indicate that earned premium was not properly reported on a direct basis or that the data elements underlying the 2011, 2012, and 2013 premium as reported on the Company's 2013 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

The Company incorrectly reported federal employment taxes on Part 1, Line 3.1a of its 2013 MLR Annual Reporting Form, rather than on Line 3.1c. The 2013 MLR Annual Reporting Form

Filing Instructions instructed issuers to report federal income taxes on Line 3.1a, and to report all federal taxes other than income taxes and the PCORI fee on Line 3.1c. There was no impact on the Company's MLR calculation or rebate liability for 2013 from this reporting error, as the total amount of taxes and regulatory fees excluded from premium on the Company's MLR Form was correct.

Other than the reporting error noted above and the incorrect group size and market classification determinations noted earlier, based on the procedures performed, nothing additional came to our attention that would indicate that the taxes and regulatory fees excluded from 2011, 2012, and 2013 earned premium on the Company's 2013 MLR Annual Reporting Form did not comply with §158.161 and §158.162, or were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170 and in accordance with its federal tax allocation agreement. On its 2013 MLR Annual Reporting Form, the Company reported that it allocated its federal income taxes to each market based on the underwriting gain or loss by jurisdiction and market, which the examination confirmed.

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Based upon the procedures performed, the Company correctly applied the credibility adjustment when the Company calculated and reported its MLRs, in accordance with §§158.230-158.232. The Company's credibility-adjusted MLRs were calculated using the correct formula in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions in all states and markets except the Georgia small group market (see below). On its 2013 MLR Annual Reporting Form, the Company reported that it did not meet the MLR standard of 80% for the small group market in 17 states, the MLR standard of 85% for the large group market in 6 states, and the MLR standard of 80% for the nationwide student market. As a result, the Company was required to and did pay rebates totaling \$5,271,533 in the small group market, \$547,383 in the large group market, and \$150,804 in the student market.

Failure to Correctly Calculate the MLR and Report the MLR Standard

On its 2013 MLR Annual Reporting Form for the Georgia small group market, the Company made an error when calculating the three-year aggregate MLR numerator, and consequently incorrectly calculated and reported a credibility-adjusted MLR of 80.3% instead of 79.9%. However, the Company also incorrectly reported an MLR standard of 80.5% instead of 80% in Part 4, Line 5.1 for the same state and market. As a net result of these two errors, the Company incorrectly calculated and paid rebates in the amount of \$11,538 instead of \$5,132 in the Georgia small group market.

C. Rebate Disbursement and Notice

According to its 2011, 2012, and 2013 MLR Annual Reporting Forms the Company reported rebates owed in certain states in the small group and large group markets as well as the nationwide student market. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-158.244 and Notices of rebates in accordance with §158.250, as well as the 2011 Notice (of no rebate) in the individual and student markets in accordance with §158.251.

D. Compliance with Previous Recommendations

The Company indicated that neither CCIIO nor any state regulatory entity has previously performed an examination of the Company's MLR processes and reporting. The Company informed CCIIO that the Illinois Department of Insurance performed a financial examination of the Company in 2013 covering the period January 1, 2007 through December 31, 2011. The financial examination resulted in one finding, which did not impact its federal MLR calculation or reporting.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2013 MLR Annual Reporting Form. As stated previously, the Company advised that it exited all markets subject to 45 CFR Part 158 as of December 31, 2014.

VIII. Conclusion, Corrective Actions, Company Responses, and CCIIO Replies

CCIIO examined Trustmark Life Insurance Company's 2013 MLR Annual Reporting Form to assess compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2013 MLR Annual Reporting Form was not in compliance with all of the requirements of 45 CFR Part 158.

Due to the lack of accurate documentation supporting the Company's group size and market classification determinations, we cannot conclusively assess the impact of these examination findings on the Company's MLRs or whether there would be any additional impact on the Company's rebate liability in any of the states and markets in which it operates. Based on the cumulative effect of all errors and findings that could be quantified, it is estimated that the Company owes additional rebates of \$5,371 in the Arizona large group market. It was estimated that no additional rebates are due in any other states or markets in which the Company operates since recalculating the MLRs to correct for the incorrectly reported items did not cause the Company's MLRs in these states and markets to fall below the applicable MLR standard, or result in additional rebates owed.

As a result of this examination, CCIIO directs the Company to implement the following corrective actions:

Corrective Action #1

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must adopt and implement procedures to ensure that it obtains and maintains the necessary information from its employer groups at the time of policy application and at renewal in order to determine the correct group size and market classification of its group policies,

consistent with the applicable definitions under §158.103 and section 2791(e) of the PHS Act and the applicable requirements of 45 CFR Part 158 and related technical guidance. This should include, but not be limited to, obtaining and maintaining accurate documentation related to the average number of employees for the calendar year preceding the coverage effective (or renewal) date. Alternatively, for the 2017 and later reporting years, the Company may elect to use the applicable state employee counting method, unless the state method does not take into account non-full-time employees, in which case the full-time equivalent method described in section 4980H(c)(2) of the Internal Revenue Code should be used. The Company must adopt and implement procedures to ensure that it obtains and maintains accurate information from its employer groups in order to determine the correct group size and market classification of its group policies under the applicable employee counting method. The Company must utilize this information to accurately determine the market classification of its policies in accordance with the requirements of §158.103.

Company Response

“The Company agrees with this corrective action. If and when the Company re-enters into any of the markets subject to 45 CFR Part 158, the Company will adopt/implement procedures to ensure compliance with the requirements of §158.103 to accurately determine the market classification of its policies.”

CCIIO Reply

CCIIO accepts the Company’s response and the corrective action plan.

Corrective Action #2

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must adopt and implement procedures to ensure that expenses reported as QIA meet the requirements of §158.150 and that sufficient documentation exists to support such determinations. The Company should perform additional quantitative analyses to ensure that only the appropriate percentage of each activity or transaction that qualifies as a QIA pursuant to §158.150 is reported in its MLR Annual Reporting Form. For salary-related expenses classified as QIA, this should include performing time studies of employee activities and/or other quantitative analyses of salary ratios to support allocating any such amounts to QIA.

Company Response

“The Company agrees with this corrective action. If and when the Company re-enters into any of the markets subject to 45 CFR Part 158, the Company will adopt/implement procedures to ensure QIA reported expenses meet the requirements of §158.150 and that sufficient documentation is maintained to support expense determinations.”

CCIIO Reply

CCIIO accepts the Company’s response and the corrective action plan.

Corrective Action #3

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must allocate QIA to the appropriate markets in an accurate manner in accordance with §158.170, utilizing a methodology that will yield the most accurate results.

Company Response

“The Company agrees with this corrective action. If and when the Company re-enters any of the markets subject to 45 CFR Part 158, the Company will allocate QIA to the appropriate markets in an accurate manner in accordance with §158.170, utilizing a methodology that will yield the most accurate results.”

CCIIO Reply

CCIIO accepts the Company’s response and the corrective action plan.

Corrective Action #4

The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include storing documentation related to the number of employees of group policyholders, as well as maintaining evidence of premium cash receipts. We note that although the Company no longer offers health insurance in the markets that are subject to 45 CFR Part 158, consistent with the requirement of §158.502(b), it is required to maintain documents for the current year and six prior years, unless a longer time is required under §158.501.

Company Response

“The Company agrees with this corrective action. If and when the Company re-enters any of the markets subject to 45 CFR Part 158, the Company will adopt/implement a comprehensive MLR records maintenance program in accordance with §158.502. Furthermore, the Company will maintain documents in accordance with §158.502(b) and §158.50.”

CCIIO Reply

CCIIO accepts the Company’s response and the corrective action plan.

Corrective Action #5

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must adopt and implement procedures to ensure it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including the proper reporting of taxes and accurate calculation and reporting of the MLRs and the applicable MLR standards and rebate amounts.

Company Response

“The Company agrees with this corrective action. If and when the Company re-enters any of the markets subject to 45 CFR Part 158, the Company will adopt/implement procedures to ensure that it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions.”

CCIIO Reply

CCIIO accepts the Company’s response and the corrective action plan.

Corrective Action #6

The Company must calculate and pay any additional rebates due to its enrollees. Any underpaid rebates calculated by the Company as a result of the findings herein should be paid as soon as possible but in no event later than sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Company Response

"The Company agrees with this corrective action. We have calculated the distribution of the \$5,371 in additional rebates that are owed and we will be sending rebate notices and payments to each policyholder within the sixty day required timeframe."

CCIIO Reply

CCIIO accepts the Company's response and the corrective action plan.

The corrective actions provided in this report should be shared with and adopted by, as applicable, any affiliated entities of the Company, and its parent or subsidiaries, if any, that are similarly subject to the MLR reporting and rebate requirements of 45 CFR Part 158.

CCIIO thanks the Company and its staff for its cooperation with this examination.