

Final
Report on the
Medical Loss Ratio Examination
of
WMI Mutual Insurance Company
(Taylorsville, Utah)
for the
2020 MLR Reporting Year

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



OVERSIGHT GROUP

January 20, 2026

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 WMI Mutual Insurance Company (the Company) for the 2020 reporting year, including 2020, 2019, and 2018 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
Data and Analytics Division
Oversight Group
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Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services

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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2020 Medical Loss Ratio (MLR) Annual Reporting Form for WMI Mutual Insurance Company (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2020 MLR Annual Reporting Form contains numerous elements that are not 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, including: (1) obtaining and maintaining adequate information to accurately determine the market classification of group policies, and correctly determining the market classification of group policies; (2) ensuring the proper aggregation of experience by state; (3) adopting and implementing a comprehensive MLR records maintenance program to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form; (4) ensuring that incurred claims are accurately calculated and reported; (5) implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions; (6) ensuring expense allocation methodologies are properly disclosed; (7) ensuring that MLR rebates include interest if not paid timely; and (8) ensuring that Rebate Notices include all of the required information.

The examination findings resulted in changes to the Company's reported MLRs in the small group and large group markets, in Utah and Montana, increasing the Company's rebate liability for the 2020 reporting year by \$375,804 in the Utah small group market. In addition, the examination findings increased the MLR reported by the Company in the Utah large group market, resulting in the recalculated rebate amount to be \$0, or \$121,497 less than that reported by the Company.

II. Scope of Examination

CCIIO examined the Company's 2020 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 (ACA), 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 applicable 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, 2018 through December 31,

2020, including 2018, 2019, and 2020 experience and claims run-out through March 31, 2021. 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 response. CCIIO reserves the right to review the actual implementation of the Company’s corrective action and proposed action plan for each corrective action in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate.

III. Summary of Findings

Page	Key Findings
9	Failure to employ standards consistent with the definitions in §158.103 to correctly determine the size of group policyholders – The Company did not obtain from each group policyholder, at the time of initial application or policy renewal, the average total number of employees (ATNE) employed on the business days of the calendar year preceding the coverage effective date, as required by the regulation, and therefore may not have correctly determined each group’s size and market classification.
10	Failure to assign the correct market classification, in accordance with the definition at §158.103 –The Company incorrectly classified one Utah small group as a large group and incorrectly classified the incurred claims for another Utah large group as a small group. These errors affected MLRs in both the small and large group markets in Utah. As a result of the net effect of these errors, a total of \$92,599 in incurred claims, \$386,170 in earned premium, and 60 life-years were reallocated from the large group market to the small group market.
10, 11	Failure to aggregate data separately for the small group and large group markets, as required by §158.120 – Due to a recording error, the Company improperly reported the incurred claims for one Arizona small group policy in the Utah small group market on its 2018, 2019, and 2020 MLR Annual Reporting Forms. As a result, the Company overstated its three-year aggregate incurred claims on its 2020 MLR Annual Reporting

	<p>Form by \$31,861 in the Utah small group market and understated incurred claims by the same amount in the Arizona small group market.</p> <p>The Company improperly reported experience from one Oregon large group policy in the Utah large group market on its 2018, 2019, and 2020 MLR Annual Reporting Forms. As a result, the Company overstated its three-year aggregate incurred claims by \$344,330, earned premium by \$600,271, and life-years by 715 in the Utah large group market on its 2020 MLR Annual Reporting Form. The Company should have filed, but did not, an MLR Annual Reporting Form in Oregon in 2018, 2019, and 2020.</p> <p>The Company improperly reported experience from one Wyoming small group policy in the Utah small group market on its 2018, 2019, and 2020 MLR Annual Reporting Forms. As a result, the Company overstated its three-year aggregate incurred claims by \$529,994, earned premium by \$107,650, and life-years by 156 in the Utah small group market on its 2020 MLR Annual Reporting Form. The Company should have filed, but did not, an MLR Annual Reporting Form in Wyoming in 2018, 2019, and 2020.</p>
11, 13	<p>Failure to maintain adequate documentation, as required by §158.502 – The Company did not maintain the documents and other records necessary to enable CCIIO to verify that the MLRs and any rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company was unable to provide adequate documentation supporting the amounts it reported for paid claims on its 2018, 2019, and 2020 MLR Annual Reporting Form, for all states and markets. As a result of employing alternative testing procedures using the initial data file provided for each year, the examiners estimated that the Company understated its three-year aggregate incurred claims on its 2020 MLR Annual Reporting Form by \$837,780 in the small group market, and overstated incurred claims by \$815,497 in the large group market.</p> <p>The Company was unable to provide adequate documentation supporting the amounts reported for direct written premium on its 2020 MLR Annual Reporting Form in the Utah small group market. As a result of employing alternative testing procedures using the initial data file provided for 2020, the examiners estimated that the Company understated its current year earned premium in the Utah small group market by \$53,923.</p>
11,12	<p>Failure to accurately report incurred claims, as required by §158.140 – The Company improperly included in paid claims on its 2018, 2019, and 2020 MLR Annual Reporting Forms the amount paid to its pharmacy benefit manager (PBM) that exceeded the PBM’s reimbursement to pharmacies. As a result, the Company overstated its three-year aggregate incurred claims on its 2020 MLR Annual Reporting Form by \$824,415 in the small group market and \$518,628 in the large group market.</p> <p>The Company improperly included in paid claims on its 2020 MLR Annual Reporting Form the amounts paid to a third-party vendor for secondary network savings. As a result, the Company overstated its current year</p>

	<p>incurred claims in three states by \$17,038 in the small group market and \$22,883 in the large group market.</p>
<p>11, 12, 13, 14, 15</p>	<p>Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 – The Company failed to restate its 2018 and 2019 incurred claims on Part 3, Line 1.2, in the prior year (PY2 and PY1) columns on its 2020 MLR Annual Reporting Form. As a result, the Company overstated its three-year aggregate incurred claims in five states by \$45,913 in the small group market, and understated incurred claims by \$276,762 in the large group market.</p> <p>The Company failed to report adjusted incurred claims for prior years in the PY2 and PY1 columns on Part 3, Line 1.1, on its 2020 Arizona and Utah MLR Annual Reporting Forms. This error did not impact the MLR calculation as Part 3, Line 1.1, is not used in the MLR calculation.</p> <p>The Company failed to report its direct claims liability on its 2020 MLR Annual Reporting Form, in the small group and large group markets, for claims incurred during the MLR reporting year that had not yet been paid as of March 31, 2021. As a result, the Company understated its current year incurred claims on its 2020 MLR Annual Reporting Form by \$91,080 in the small group market and \$143,499 in the large group market.</p> <p>Due to a reporting error, the Company improperly reported 2018 earned premium on Part 3, Line 2.1, in the PY2 column on its 2020 MLR Annual Reporting Form, in the Utah small and large group markets. As a result, the Company understated its three-year aggregate earned premium by \$430,293 in the Utah small group market, and overstated earned premium by \$549,051 in the Utah large group market.</p> <p>The Company improperly reported earned premium on Part 1, Line 1.1, in the 12/31 and 3/31 columns on its 2020 MLR Annual Reporting Form, in the Utah small group market. The error in the 3/31 column did not impact the MLR calculations as the current earned premium reported on the 2020 MLR Annual Reporting Form was accurately calculated and reported.</p> <p>Due to various errors, the Company improperly reported earned premium in the Other Health column on its Arizona 2019 and 2020 MLR Annual Reporting Forms. These errors did not impact the Company’s MLR calculations.</p> <p>The Company improperly reported premium ceded under an excess of loss reinsurance contract on Part 2, Line 1.12, on its 2020 MLR Annual Reporting Form, in the small group and large group markets. This error did not impact the MLR calculations as Part 2, Line 1.12 is for informational purposes only.</p> <p>The Company improperly reported taxes and licensing and regulatory fees in the PY2 column, on its Utah 2020 MLR Annual Reporting Form. As a result of this error, the Company understated its three-year aggregate taxes and</p>

	<p>licensing and regulator fees by \$13,701 in the Utah small group market and \$4,050 in the Utah large group market.</p> <p>The Company failed to properly include federal income taxes on its 2018 and 2019 MLR Annual Reporting Forms. As a result of the examiners' recalculation to allocate the correct amount to each state and market utilizing the pre-tax underwriting gain/(loss) for each market, we determined that the Company understated its three-year aggregate taxes and licensing and regulatory fees on its 2020 MLR Annual Reporting Form by \$103,516 in the small group market and \$202,097 in the large group market.</p> <p>Due to multiple errors, the Company improperly reported the risk adjustment transfer amounts on its 2018, 2019, and 2020 MLR Annual Reporting Forms, in the small group market. As a result of the net effect of these errors, the Company overstated its three-year aggregate risk adjustment transfer amounts on its 2020 MLR Annual Reporting Form by \$104,741 in the Utah small group market and \$6,663 in the Nevada small group market.</p> <p>Due to a reporting error, the Company improperly reported the 2017 life-years in the PY2 column on Part 3, Line 3.1, on its Utah 2020 MLR Annual Reporting Form. As a result, the Company understated its three-year aggregate life-years on its 2020 MLR Annual Reporting Form by 104 in the Utah small group market and overstated life-years by 180 in the Utah large group market.</p> <p>The Company improperly rounded the Preliminary MLR on its 2020 MLR Annual Reporting Form in the Montana large group market. As a result of this error, the preliminary MLR on its 2020 MLR Annual Reporting Form was understated by 0.0466% in the Montana large group market.</p>
14	<p>Failure to report the methods used to allocate taxes and fees, as required by §158.170 – The Company failed to report on its 2020 MLR Annual Reporting Form the methods used to allocate its taxes and licensing and regulatory fees to each state and market. This error did not impact the Company's MLR calculations.</p>
16	<p>Failure to timely pay MLR rebates to its enrollees consistent with the requirements of §158.240 - The Company failed to timely pay its 2019 rebates due to enrollees in the Montana small group market, and did not pay any interest to the enrollees, as required. As a result of this error, the Company underpaid \$90.63 in interest on its 2019 Montana small group market MLR rebates.</p>
16	<p>Failure to comply with the MLR rebate notification requirements at §158.250 – The Company failed to include all required information in the Rebate Notices provided to its group policyholders who received an MLR rebate for the 2020 MLR reporting year, as required by §158.250. This error did not impact the Company's MLR calculations.</p>

These findings resulted in changes to the Company’s reported MLRs in the Montana and Utah small group and large group markets. The recalculated MLR for the Utah small group market continued to be below the MLR standard of 80%, resulting in an additional rebate liability of \$375,804 for 2020. In addition, as a result of the examination adjustments that increased the MLR reported by the Company in the Utah large group market, the recalculated rebate amount was reduced to \$0, or \$121,497 less than that reported by the Company.

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility adjusted MLRs and rebates for 2020, for the states and markets in which the Company’s MLRs changed as a result of the examination¹, are shown in the following tables. The differences between the amounts in the “As Filed” and “As Recalculated” rows reflect the net impact of the adjustments made to properly: reallocate the experience of misclassified policies; restate incurred claims, earned premium; taxes and licensing and regulatory fees, risk adjustment transfer amounts, life years, and the preliminary MLR.

Recalculated MLRs² and Rebates for the Small Group and Large Group Markets for the 2020 Reporting Year

Montana

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$12,477,397	\$16,598,629	80.1%	\$0
As Recalculated	\$12,714,460	\$16,479,230	82.1%	\$0
Difference	\$237,063	(\$119,399)	2.0%	\$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$7,733,103	\$8,447,174	99.2%	\$0
As Recalculated	\$7,397,653	\$8,470,989	95.0%	\$0
Difference	(\$335,450)	\$23,815	(4.2%)	\$0

Utah

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$5,985,611	\$8,414,224	78.3%	\$52,715
As Recalculated	\$5,515,150	\$9,172,675	67.2%	\$428,519
Difference	(\$470,461)	\$758,451	(11.1%)	\$375,804

¹ Markets with fewer than 1,000 aggregated life-years are considered non-credible, and presumed to meet the applicable MLR standard, in accordance with §158.230(d). Therefore, the MLRs for these markets did not change as a result of the examination.

² 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.

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$7,036,054	\$9,482,763	80.0%	\$121,497
As Recalculated	\$6,133,934	\$7,778,647	86.6%	\$0
Difference	(\$902,120)	(\$1,704,116)	6.6%	(\$121,497)

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit health insurance issuer domiciled in Utah. The Company sells group health insurance policies in seven states.

During the 2018, 2019, and 2020 MLR reporting years, the Company operated in the small and large group markets that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2020, the Company reported a total of 2,512 covered lives and \$15,201,760 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158 and a total of 3,903 covered lives and \$16,446,710 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 life insurance, stand-alone dental and vision insurance, Medicare Supplement plans, and short-term disability insurance.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2020, were:

Officers

<u>Name</u>	<u>Title</u>
David T. Leo	President
Craig Eerkes	Treasurer
Mark H. Bailey	Secretary

Directors

<u>Name</u>	
Brett Adams	Craig Kellerstrass
Craig Eerkes	David T. Leo
Benny Hodges	Gerry Ramm

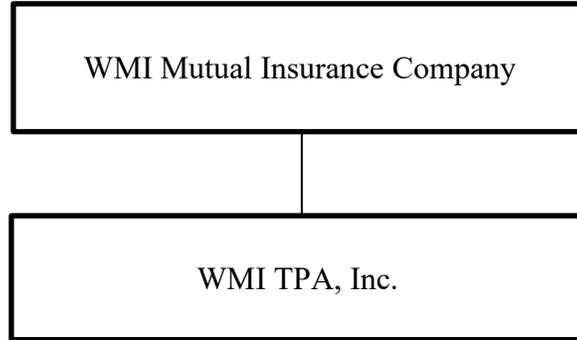
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2020 MLR Annual Reporting Form were:

<u>Name</u>	<u>Title</u>
David T. Leo	CEO Attester

C. Ownership

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

**WMI Mutual Insurance Company
Organizational Chart as of December 31, 2020³**



D. Agreements

As of December 31, 2020, the Company had entered into the following intercompany agreement that is pertinent to a review of its MLR Annual Reporting Form:

1. An Intercompany Agreement with its wholly owned subsidiary, WMI TPA, Inc.

E. Reinsurance

During 2018, 2019, and 2020, the Company did not have any reinsurance agreements in effect that impacted the MLR reporting of its health insurance policies subject to the regulations at 45 CFR Part 158.

V. Accounts and Records

The Company’s main administrative and financial reporting office is located at 4393 S Riverboat Road #380, Taylorsville, Utah, 84123. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

As noted below, the Company did not comply 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

³ 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.

Company did not provide sufficient evidence necessary to enable CCIIO to verify the accuracy of paid claims and direct premium written.

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 2018, 2019, and 2020 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2018, 2019, and 2020 MLR Annual Reporting Forms were filed by the due date.

The Company reported that it did not meet the applicable MLR standard in the Utah small group and large group markets, and paid rebates of \$52,715 in the Utah small group market and \$121,497 in the Utah large group market. Based on the reporting errors found during the examination, the Company's MLRs for the 2020 reporting year were recalculated and resulted in an additional rebate of \$375,804 in the Utah small group market.

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 2018-2020 reporting years. Section 158.103 uses 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 group and large group market classifications be based on the average total number of employees (ATNE) 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 correctly determine employer size, instead relying on the number of employees at the time of initial policy application or renewal. Therefore, it may have incorrectly determined the market classification of some group policies for the period covered by this examination. The Company provided copies of then-recent group policyholder billing invoices and the original or renewal application for coverage containing the total number of employees at the time of the application (rather than the ATNE on the business days of the calendar year preceding the coverage effective date), and copies of policyholder premium payment checks. Since the Company based its determinations on the number of employees at the time of either the initial policy application or policy renewal, based on the available documentation, the examiners could not confirm whether the Company correctly determined the group size, and consequently the market classification, of its group policies.

Due to the Company's use of the incorrect standard for determining group size and market classification, which could have impacted the market classification of some groups, and the lack

of adequate documentation necessary to support its determinations, we cannot conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

Incorrect Reporting of Market Classification

In addition to the failure to use the correct standard for determining group size and market classification, the Company did not consistently assign policies to the correct market classification based on the group size information that was available to the Company. Based on testing of the market classification of the Company's policies, one Utah small group policy was incorrectly classified as a large group policy, when, based on the Company's group-size determinations, the policy should have been reported in the small group market for the 2019 and 2020 MLR reporting years. In addition, the incurred claims for one Utah large group policy were incorrectly classified in the small group market, when, based on the Company's group size determinations, the incurred claims from this policy should have been reported in the large group market for the 2018, 2019, and 2020 reporting years. As a result of the net effect of these errors, three years of aggregate incurred claims of \$92,599, earned premium of \$386,170, and 60 life-years were re-allocated from the Utah large group market to the Utah small group market to correct the classification of these policies.

Aggregation

Failure to Properly Aggregate Experience of Policies by State

Due to a recording error, the Company improperly reported incurred claims for one Arizona small group policy in the Utah small group market on its 2018, 2019, and 2020 MLR Annual Reporting Forms. According to §158.120(a), experience with respect to each policy must be included in the report submitted with respect to the State where the contract was issued. Member months and premium associated with that group were classified in the correct state and market. As a result of this error, the Company overstated the three-year aggregate incurred claims on its 2020 MLR Annual Reporting Form by \$31,861 in the Utah small group market and understated them by the same amount in the Arizona small group market.

The Company improperly reported experience from one Oregon large group policy in the Utah large group market on its 2018, 2019, and 2020 MLR Annual Reporting Forms. According to §158.120(a), the experience with respect to each policy must be included on the report submitted with respect to the state where the contract was issued. As a result, on its 2020 MLR Annual Reporting Form, in the Utah large group market, the Company overstated its three-year aggregate incurred claims by \$344,330, earned premium by \$600,271, and life-years by 715. The Company should have filed, but did not, an MLR Annual Reporting Form in Oregon in 2018, 2019, and 2020.

The Company improperly reported experience from one Wyoming small group policy in the Utah small group market on its 2018, 2019, and 2020 MLR Annual Reporting Forms. According to §158.120(a), the experience with respect to each policy must be included on the report submitted with respect to the State where the contract was issued. As a result, on its 2020 MLR Annual Reporting Form, in the Utah small group market, the Company overstated its three-year aggregate incurred claims by \$529,994, earned premium by \$107,650, and life-years by 156. The

Company should have filed, but did not, an MLR Annual Reporting Form in Wyoming in 2018, 2019, and 2020.

Based upon the procedures performed, other than the incorrect group size and market classification determinations, and other reporting errors noted above, nothing additional came to our attention that would indicate that the samples of policies, claims, and other aggregation-related reporting elements tested during the examination were not correctly assigned to the appropriate states, markets, and lines of business in accordance with §158.120.

Incurred Claims

Inadequate Reconciliation of Paid Claims

The Company was unable to provide adequate documentation supporting the amounts it reported for paid claims on Part 2, Line 2.1b, on its 2018, 2019, and 2020 MLR Annual Reporting Forms, for all states. The Company was unable to adequately reconcile the detailed data files for claims paid in 2018, 2019, and 2020, to the amounts reported on its respective MLR Annual Reporting Forms. According to §158.502, issuers must maintain, for a period of not less than six years, all documents and other evidence necessary to enable HHS to verify that the MLR and rebates due to enrollees are calculated in accordance with 45 CFR Part 158. As a result of alternative testing procedures using the initial data file provided for each year, the examiners estimated that the Company understated its current year incurred claims on Part 3, Line 1.2, on its 2020 MLR Annual Reporting Form by \$837,780 in the small group market, and overstated incurred claims by \$815,497 in the large group market.

Improper Reporting of Prescription Drug Claims

The Company improperly included in paid claims on Part 2, Line 2.1b, on its 2018, 2019, and 2020 MLR Annual Reporting Forms, the amount paid to its PBM for pharmacy claims, an amount that exceeded the total amount the PBM paid to pharmacy providers for prescriptions filled for the Company's enrollees. According to §158.140(b)(3)(ii), if a third-party vendor reimburses the provider at one amount but bills the issuer a higher amount to cover its claims processing, network development, utilization management, and administrative costs, as well as profits, then the amount that exceeds the reimbursement to the provider must not be included in incurred claims. As a result of this error, the Company overstated the three-year aggregate incurred claims on Part 3, Line 1.2, on its 2020 MLR Annual Reporting Form by \$824,415 in the small group market and \$518,628 in the large group market.

Improper Reporting of Prior Year Incurred Claims

The Company failed to restate its 2018 and 2019 incurred claims on Part 3, Line 1.2, in the PY2 and PY1 columns, on its 2020 MLR Annual Reporting Form. The Company failed to adjust its 2018 and 2019 incurred claims for subsequent development. According to the 2020 MLR Annual Reporting Form Filing Instructions, the amount reported on Part 3, Line 1.2, PY2 and PY1 columns, must include incurred claims restated as of March 31 of the year following the MLR reporting year. Incurred claims initially reported for 2018 and 2019 should have been restated on Line 1.2 for the prior year columns for all applicable elements of adjusted incurred claims and reflected run-out through March 31, 2021. As a result, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2020 MLR Annual Reporting Form by

\$45,913 in the small group market, and understated incurred claims by \$276,762 in the large group market.

In addition, the Company improperly failed to report incurred claims for prior years on Part 3, Line 1.1, in the PY2 and PY1 columns, on its 2020 Arizona and Utah MLR Annual Reporting Forms. According to the MLR Annual Reporting Form Filing Instructions, the amounts reported on Part 3, Line 1.1, PY2 and PY1 columns, must equal the amounts originally reported on the respective MLR Annual Reporting Form. This error did not impact the MLR calculation as Part 3, Line 1.1, is for informational purposes only and is not included in the MLR calculations.

Improper Inclusion of Amounts Paid for Secondary Network Savings

The Company improperly included in paid claims on Part 2, Line 2.1b, on its 2020 MLR Annual Reporting Form, the administrative fees paid to a third-party vendor for secondary network savings services. According to §158.140(b)(3)(i), amounts paid to third party vendors for secondary network savings must not be included in incurred claims. As a result, the Company overstated its current year incurred claims on Part 3, Line 1.2, on its 2020 MLR Annual Reporting Form by \$17,038 in the small group market and \$22,883 in the large group market.

Failure to Report Direct Claims Liability

The Company failed to report its direct claims liability on Part 2, Line 2.2b, on its 2020 MLR Annual Reporting Form, in the small group and large group markets. According to 2020 MLR Annual Reporting Form Filing Instructions, an estimate for unpaid claims and claims incurred but not reported (IBNR), incurred during the MLR reporting year but not paid as of March 31 of the following year, should be reported in the 3/31 column on Part 2, Line 2.2b. As the Company did not estimate its direct claims liability as of March 31, 2021, we used the claims incurred in 2020 that were paid from April 1, 2021 through December 31, 2021 to determine the amount of direct claims liability that should have been reported. As a result, the Company understated its current year incurred claims on Part 3, Line 1.2, by \$91,080 in the small group market and \$143,499 in the large group market.

Based upon the procedures performed, including validating a sample of incurred claims (as defined by §158.140), other than the reporting errors noted above, nothing additional came to our attention that would indicate that the Company did not accurately report incurred claims.

Claims Recovered Through Fraud Reduction Efforts

The Company did not report any 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

Based upon the procedures performed, nothing 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

Inadequate Reconciliation of Direct Premium Written

The Company was unable to provide adequate documentation supporting the amounts reported for direct written premium on Part 2, Line 1.1, on its 2020 MLR Annual Reporting Form in the Utah small group market. The Company was also unable to adequately reconcile the detailed data file it provided as part of the examination of written premium to the amount reported on its 2020 MLR Annual Reporting Forms. According to §158.502, issuers must maintain, for a period of not less than six years, all documents and other evidence necessary to enable HHS to verify that the MLR and rebates due to enrollees are calculated in accordance with 45 CFR Part 158. As a result of alternative testing procedures using the initial data file provided for 2020, the examiners estimated that the Company understated its current year earned premium on Part 3, Line 2.1, by \$53,923 in the Utah small group market.

Improper Reporting of Earned Premium

Due to a reporting error, the Company improperly reported the 2017 earned premium in the PY2 column on Part 3, Line 2.1, on its 2020 MLR Annual Reporting Form in the Utah small group and large group markets, rather than the 2018 amount. According to the 2020 MLR Annual Reporting Form Filing Instructions, the premium amount reported on Part 3, Line 2.1, PY2 column, must be the same as the amount originally reported on the respective prior year's MLR Annual Reporting Form. As a result, the Company understated its three-year aggregate earned premium on Part 3, Line 2.1, on its Utah 2020 MLR Annual Reporting Form by \$430,293 in the small group market, and overstated its earned premium by \$549,051 in the large group market.

The Company improperly reported earned premium in the 12/31 and 3/31 columns, on Part 1, Line 1.1, on its 2020 MLR Annual Reporting Form, in the Utah small group market. The Company failed to include the net effect of unearned premium amounts and federal risk adjustment program charges when calculating its total direct premium earned. According to the 2020 MLR Annual Reporting Form Filing Instructions, earned premium on Part 1, Line 1.1, must include adjustments for prior and current year unearned premiums, and any amount related to the federal risk adjustment program. This error did not impact the MLR calculation, as the earned premium reported in the CY column on Part 3, Line 2.1, was accurately calculated and reported.

Due to various errors, the Company incorrectly reported earned premium on its 2019 and 2020 MLR Annual Reporting Forms in the Other Health column on Part 1, Line 1.1. The Company improperly included in the Other Health column on its 2020 Nevada MLR Annual Reporting Form \$360,074 of premiums for life insurance policies and improperly reported its Arizona premium. In 2019, the direct premium written amount reported on Part 2, Line 1.1, for the Other Health business, was overstated by \$100,000 in Arizona. These errors did not impact the MLR calculations as the Other Health business is not included in the MLR calculations.

Improper Reporting of Premium Ceded

The Company improperly reported premium ceded under an excess of loss reinsurance contract on Part 2, Line 1.12, on its 2020 MLR Annual Reporting Form, in the small group and large group markets. According to the 2020 MLR Annual Reporting Form Filing Instructions, only

premium ceded under a 100% assumption reinsurance agreement (with a novation), or premium ceded under a 100% indemnity reinsurance and administrative agreement entered into prior to March 23, 2010, should be reported on Part 2, Line 1.12. The Company's excess of loss reinsurance contract agreement did not meet these criteria. This error did not impact the MLR calculations as Part 2, Line 1.12, is presented for informational purposes only and earned premium was accurately reported.

Based upon the procedures performed, other than the errors noted above, 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 2018, 2019, and 2020 premium reported on the Company's 2020 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Improper Reporting Taxes and Licensing and Regulatory Fees

The Company improperly reported taxes and licensing and regulatory fees on Part 3, Line 2.2, in the PY2 column, on its 2020 MLR Annual Reporting Form. The Company improperly reported its 2017 taxes and fees in the Utah small group and large group markets, rather than the amounts incurred for the 2018 reporting year. According to the MLR Annual Reporting Form Filing Instructions, taxes and fees reported on Part 3, Line 2.2, PY2 column, must be equal the amount originally reported on the respective prior years' MLR Annual Reporting Form. As a result of this error, the Company understated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, by \$13,701 in the Utah small group market and \$4,050 in the Utah large group market.

Improper Reporting of Federal Income Taxes

The Company improperly reported its federal income taxes on Part 1, Line 9, on its 2018 and 2019 MLR Annual Reporting Forms, and did not allocate the amounts to its states and markets. According to the applicable MLR Annual Reporting Form Filing Instructions, federal income taxes should be reported on Part 1, Line 3.1a., and properly allocated to its states and markets based on generally accepted accounting methods that are expected to yield the most accurate results. Also according to the applicable MLR Annual Reporting Form Filing Instructions, the pre-tax underwriting gain/(loss) is the most appropriate basis for allocating income taxes. We recalculated the underwriting gain/(loss) of each state and market based on the premium, claims, and other data made available during the examination, and re-allocated the total federal income tax between all states and markets in which it had health insurance coverage in effect. As a result, the Company understated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, on its 2020 MLR Annual Reporting Form by \$103,516 in the small group market and \$202,097 in the large group market.

Failure to Disclose Allocation Methodologies

The Company failed to report the methods used to allocate its taxes and licensing and regulatory fees to each state and market on its 2018, 2019, and 2020 MLR Annual Reporting Forms, as required by §158.170(b). This error did not impact the Company's MLR calculations.

Based upon the procedures performed, other than the calculation and reporting errors noted above, nothing additional came to our attention that would indicate that the taxes and licensing and regulatory fees excluded from 2018, 2019, and 2020 earned premium on the Company's 2020 MLR Annual Reporting Form did not comply with §§158.161 and 158.162, and were not accurately reported and reasonably allocated among the Company's states and markets, as required by §158.170.

Federal Risk Adjustment Program

Improper Reporting of Risk Adjustment Transfer Amounts

Due to multiple errors, the Company improperly reported the risk adjustment transfer amounts on Part 2, Line 1.10, in the small group market, on its 2018, 2019, and 2020 MLR Annual Reporting Forms. The Company improperly excluded from the risk adjustment transfer amounts, the amounts for the high-cost risk pool (HCRP) payments and charges, and the default risk adjustment charge allocation amounts. In addition, the Company made various calculation errors when determining the risk adjustment transfer amounts reported on its 2018, 2019, and 2020 MLR Annual Reporting Forms. According to the applicable MLR Annual Reporting Form Filing Instructions, federal risk adjustment program net receipts or charges should include any amounts related to the HCRP and the default risk adjustment charge allocation. As a result of the net effect of these errors, the Company overstated its three-year aggregate risk adjustment transfer amounts on Part 3, Line 1.6, on its 2020 MLR Annual Reporting Form, by \$104,741 in the Utah small group market and \$6,663 in the Nevada small group market.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional came to our attention that would indicate that the Company did not properly report the expected transfer amounts under the federal risk adjustment program for the 2020 benefit year, in compliance with §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Improper Reporting of Prior Year Life-Years

Due to a reporting error, the Company improperly reported its 2017 life-years, rather than its 2018 life-years, on Part 3, Line 3.1, in the PY2 column, on its 2020 MLR Annual Reporting Form, in the Utah small group and large group markets. According to the 2020 MLR Annual Reporting Form Filing Instructions, the number of life-years reported on Part 3, Line 3.1, PY2 column, must be the same as the number originally reported on the respective prior year's MLR Annual Reporting Form. As a result, the Company understated its three-year aggregate life-years on its 2020 MLR Annual Reporting Form by 104 in the Utah small group market, and overstated life years by 180 in the Utah large group market, which affected the calculation of its base credibility factor in the Utah small group and the Utah large group markets.

Improper Reporting of Preliminary MLR

The Company improperly reported the Preliminary MLR on Part 3, Line 4.1, on its 2020 MLR Annual Reporting Form in the Montana large group market. The Company failed to report the preliminary MLR in the PY2 and PY1 columns and improperly rounded the amount reported in the CY column. According to the 2020 MLR Annual Reporting Form Filing Instructions, for issuers with partially credible experience, the preliminary MLR must be reported on Part 3, Line

4.1, and must not be rounded. As a result, the Company understated its preliminary MLR on its 2020 MLR Annual Reporting Form by 0.0466% in the Montana large group market. Based upon the procedures performed, other than the reporting errors noted above, the Company correctly applied the credibility adjustment, in accordance with §§158.230-232, when it calculated and reported its MLRs. 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.

The Company reported that it did not meet the applicable 2020 MLR standards in the Utah small group and large group markets for 2020. The Company used the correct procedures to calculate the total 2020 rebates of \$52,715 in the Utah small group market and \$121,497 in the Utah large group market. As detailed in this report, the examination identified errors in the data underlying the Company's MLRs and rebate calculations, resulting in changes to the Company's 2020 MLRs and rebate amounts.

C. Rebate Disbursement and Notice

Failure to Timely Pay MLR Rebates

The Company failed to timely pay its 2019 rebates due to its enrollees in the Montana small group market, and did not pay any interest to the enrollees. The Company paid the 2019 rebates on October 18, 2020, 18 days past the September 30, 2020 due date required by §158.240(e). According to §158.240(f), an issuer that fails to pay any rebate owed after September 30 of the following year must, in addition to providing the required rebate to the enrollee, pay the enrollee interest at the current Federal Reserve Board lending rate or ten percent annually, whichever is higher, on the total amount of the rebate, accruing from the date the payment was due. As a result of this error, the Company underpaid interest on 2019 rebates by \$90.63 in the Montana small group market.

Failure to Include All Required Information in Rebate Notices

The Company failed to include all of the required information in the Rebate Notices it sent to those group policyholders who received an MLR rebate for the 2020 reporting year, as required by §158.250. Based on testing a sample of 29 Rebate Notices, the Company did not include all of the information as required by §158.250. This error did not impact the MLR calculations.

According to its 2020 MLR Annual Reporting Form, the Company reported that it owed rebates in the Utah small group and large group markets. Based upon the procedures performed, the Company timely issued rebates for 2020 in accordance with §§158.240-244, but as noted above, the 2020 Rebate Notices did not comply with §158.250. Also as noted above, the Company did not timely pay 2019 rebates, or pay the required interest, for the Montana small group market in accordance with §158.240.

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 Utah Insurance Department performed a financial examination of the Company in 2021 covering the period

January 1, 2017, through December 31, 2019. The financial examination did not result in any findings that impacted the Company's 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 2020 MLR Annual Reporting Form. No post-December 31, 2020 events were brought to CCIIO's attention.

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

CCIIO examined WMI Mutual Insurance Company's 2020 MLR Annual Reporting Form to assess the Company's 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 2020 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2020 MLR Annual Reporting Form contained numerous elements that were not compliant with the requirements of 45 CFR Part 158. Based on the adjustments made as a result of the examination findings, the Company owes additional 2020 rebates of \$375,804 in the Utah small group market.

As a result of this examination, consistent with § 158.402(e), CCIIO directs the Company to implement the following corrective actions:

Corrective Action #1

The Company must adopt and implement procedures to ensure that it obtains and maintains accurate 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 definitions in 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 documentation of the average total number of employees for the calendar year preceding the coverage effective (or renewal) date. 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

WMI acknowledges this corrective action recommendation and has taken steps to help ensure accurate market classification of its policies in accordance with 45 CFR §158.103.

CCIIO Reply

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

Corrective Action #2

The Company must adopt and implement procedures to ensure it properly aggregates the group experience by state on its MLR Annual Reporting Forms, in accordance with the requirements of §158.120(a).

Company Response

WMI acknowledges this corrective action recommendation and has taken steps to help ensure proper aggregation of group experience by state in accordance with 45 CFR §158.120(a).

CCIIO Reply

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

Corrective Action #3

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 maintaining documentation, as may be necessary, to enable CCIIO to verify the accuracy of paid claims and direct written premium reported on its MLR Annual Reporting Form.

Company Response

WMI acknowledges this corrective action recommendation and has taken steps to help ensure proper maintenance of all documentation and evidence in accordance with 45 CFR §158.502(a).

CCIIO Reply

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

Corrective Action #4

The Company must adopt and implement procedures to ensure the accurate reporting of incurred claims, in accordance with §158.140 and the MLR Annual Reporting Form Filing Instructions, including ensuring that amounts paid to its PBM in excess of the cost of prescription drugs paid to pharmacies for its enrollees are not included in incurred claims, as well as expenses for administrative fees paid to third-party vendors.

Company Response

WMI acknowledges this corrective action recommendation and has taken steps to help ensure accurate reporting of incurred claims in accordance with 45 CFR §158.140.

CCIIO Reply

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

Corrective Action #5

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: properly restating prior year incurred claims; properly reporting prior year adjusted incurred claims, claims liability, premium, taxes and fees, risk adjustment transfer amounts, and life years; and ensuring that the preliminary MLR is not rounded.

Company Response

WMI acknowledges this corrective action recommendation and has taken steps to help ensure accurate reporting in accordance with 45 CFR §158.110.

CCIIO Reply

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

Corrective Action #6

The Company must adopt and implement procedures to ensure the accurate allocation and disclosure of the methods used to allocate expenses to each state and market, in accordance with §158.170.

Company Response

WMI acknowledges this corrective action recommendation and has taken steps to help ensure accurate allocation and disclosure of methods used to allocate expenses in accordance with 45 CFR §158.170.

CCIIO Reply

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

Corrective Action #7

The Company must adopt and implement procedures to ensure the proper and accurate calculation of rebates and their timely payment to enrollees, in accordance with the requirements of §158.240, including ensuring that any late paid rebates include interest, as required by §158.240(f).

Company Response

WMI acknowledges this corrective action recommendation and has taken steps to help ensure the accurate calculation of rebates and their timely payment in accordance with 45 CFR §158.240(f).

CCIIO Reply

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

Corrective Action #8

The Company must adopt and implement procedures to ensure that it includes accurate and complete information in the Rebate Notices, in accordance with §158.250.

Company Response

WMI acknowledges this corrective action recommendation and has taken steps to help ensure accurate and complete information in the rebate notices in accordance with 45 CFR §158.250.

CCIIO Reply

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

Corrective Action #9

The Company must re-file its 2020 MLR Annual Reporting Form to rectify the errors and findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including calculating 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

WMI has complied with this corrective action recommendation.

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, such as 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.