

CIGNA

California Small Group New Business Underwriting Guidelines

For business with 2-50 eligible employees

Effective 4-1-2008

Small Employer Definition:

“Any person, firm, proprietary or nonprofit corporation, partnership, public agency, or association that is actively engaged in business or service, that, on at least 50 percent of it’s working days during the preceding calendar quarter or preceding calendar year, employed at least two, but no more than 50 eligible employees, the majority (51%) of whom were employed within this state, that was not formed primarily for the purpose of buying health insurance, and in which a bona fide employer-employee relationship exists.”

“Eligible Employee” means either of the following :

- Any permanent employee who is actively engaged on a full-time basis in the conduct of the business of the small employer with a normal work week of at least 30 hours, in the small employer’s regular place of business, who has met any statutorily authorized applicable waiting period requirements. The term includes sole proprietors or partners of a partnership, if they are actively engaged on a full time basis in the small employer’s business, and they are included as employees under a health benefit plan of a small employer, but does not include employees who work on a part-time, temporary or substitute basis. It includes any eligible employee as defined in this paragraph who obtains coverage through a guaranteed association. Employees of employers purchasing through a guaranteed association shall be deemed to be eligible employees if they would otherwise meet the definition except for the number of persons employed by the employer. A permanent employee who works at least 20 hours but not more than 29 hours is deemed to be an eligible employee if all four of the following apply:
 - > The employee otherwise meets the definition of an eligible employee except for the numbers of hours worked
 - > All similarly situated individuals are offered coverage under the health benefit plan
 - > The employee must have worked at least 20 hours per normal work week for at least 50 percent of the weeks in the previous calendar quarter. The insured may request any necessary information to document the hours and time period in question, including, but not limited to, payroll records and employee wage and tax filings

Quote Requirements:

The following items must be provided when requesting a quote from CIGNA.

- Census Data: Must include
 - Name of the group
 - Total Number of Employees working at the firm and affiliates if applicable
 - Total Number of Eligible Employees
 - Total Number of Employees expected to enroll
- Census Information (Dates of Birth, Gender, Coverage Types and zip codes) for all employees/dependents expected to enroll as well as any COBRA and State Continuation participants

New Business rating will be based on final enrollment

Effective Dates:

- The effective date can be the 1st of the month only

New Business Submission Dates:

- All completed case paperwork must be received by AAQHC Small Group Underwriting no later than 5th business day after the requested effective date
- If the completed case is not received by this date, the requested effective date will be moved to the next available effective date

Signature Dates:

- All paperwork must be signed prior to the requested effective date and no longer than sixty days in advance

This information has been provided by CIGNA for Small Group products in California. These plans are administered by AAQHC, An Administrator.

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PEOS:

- In circumstances where the PEO (Professional Employer Organization) is considered the Employer, the group will not be eligible to enroll in Small Group
- Leased employees are not eligible

Employer Eligibility Requirements:

- An employer/employee relationship must always exist
- The business must be organized as a sole proprietorship, partnership, or corporation. Corporations include the parent company and may include branch offices, if requested, that are in the service area. Companies that are affiliated companies or that are eligible to file a combined tax return for purposes of state taxation will be considered one employer
- The group must be licensed to operate as a business in the service area.
- Refer to Small Employer Definition on Page 1. At time of renewal compliance with Small Group reform will be verified

New Case Submission; Basic Required Documentation:

- Employer Application
- AAQHC, An Administrator, Group Membership Application and Guidelines
- Enrollment Applications for each employee and dependents enrolling in Medical coverage
- Waivers for each employee and/or dependent declining Medical coverage
- Employee Health Questionnaire for each employee if group doesn't qualify for Raf promotion or if group wishes to apply for lower Raf than is offered through Raf promotion

Newly Formed Business

The following documents must be provided for business that have not been in business long enough to have filed a Quarterly Wage and Tax Statement (3mos):

- In lieu of the Quarterly Wage and Tax Statement, provide the most recent consecutive 4 weeks worth of payroll records, which include hours worked, wages earned and taxes withheld
- **Employer Identification Number (EIN) / Federal Tax I'd.**
- **Business License (not a professional license)**

In addition, the following documentation will be required for:

Sole Proprietors	Business License or Fictitious Business Name Filing
Partnerships or Limited Liability Partnerships	Partnership Agreement
Limited Liability Corporation	Articles or Organization and Operating Agreement
Corporation	Articles of Incorporation, to include signature pages

Replacing other group Coverage:

- A copy of the most current prior carrier bill must be provided
- The employer should be advised not to cancel any current medical coverage until they have been notified of approval from the CIGNA Underwriting department

Waiting Periods:

- A new group may waive the waiting period for all employees, including employees who are currently in their new hire waiting period
- An employer may choose a waiting period of 1st of the month following date of hire, 1st of the month following: 30 days, 60 days, 90 days, 120, 180 days
- Waiting Periods must be consistently applied to all employees. If a Dual Waiting period is required for different classes of employees, this must be set up at time of New Business submission

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- Changes to the waiting period may be made twice during one policy year (one off of renewal and one on renewal)
- Retro active changes to the waiting period will not be allowed. No Exceptions

Participation Requirements

The following guidelines apply:

- 1) HMO and POS plans require 70% participation
- 2) OAP plans require 75% participation of eligible employees
- 3) If employer pays 100% (a non contributory plan), 100% participation is required (minus employees with valid waivers)
- 4) Dependent participation is not required
- 5) Coverage can be denied based on inadequate participation

***Waivers: The following types of coverage will be considered valid waivers. If an employee waives off the coverage for any of the below listed reasons, that employee will not count towards CIGNA's Small Group participation required:**

- Other group coverage (through another employer, such as Spousal coverage)
- Medicare, Medicaid, Champus and other Federal programs.

Individual coverage is not a valid waiver

All employees waiving coverage must complete the waiver section of the Application

Contribution Requirements

The employer must contribute at least 50% of the employee only coverage. Contribution towards dependent coverage is not required.

Initial Premium Check:

- The initial premium check is not a binder check
- An initial premium check must accompany the application for coverage equal to one (1) month's premium
- If coverage is either declined due to business eligibility, participation or other permissible reasons by CIGNA or withdrawn by the group, 1st months premium will be returned
- The check has to be a company issued check. Personal checks will not be accepted at initial underwriting

Common Ownership, Affiliated and Associated Companies:

- See Small Employer Definition section. (page 1)
- If an Employer has multiple business with different tax id numbers, they may enroll together as one group if;
 - One owner has controlling interest of all companies
 - All business together have at least 2 but no more then 50 eligible employees *or* if the owner is eligible to file a combined State Tax return for all companies to be covered.

If applicable, proof of common ownership must be provided by completing the Common Ownership Form along with supporting documentation such as copies of K-1, shareholder certificates, articles of incorporation or other acceptable documentation as determined by CIGNA.

Plan Options

Allows employers to offer more than one CIGNA medical plan to employees

- Multi Option is allowed

<p>Rating</p> <ul style="list-style-type: none"> • Composite rates are available for to groups enrolling 15 or more eligible employees • Rates are determined by Employee zip code for employees in state and based on Employer zip code for employees who reside out of state • Under Tefra/Defra, CIGNA will be the primary coverage for employees and their spouses who are age 65 or older if the employer has 20 or more employees for each working day in each of the 20 or more calendar weeks in the current or preceding calendar year. Medicare is the primary coverage for such employees if the employer has less than 20 employees for each working day in each of the 20 or more calendar weeks in the current or prior calendar year
<p>Retiree Eligibility</p> <ul style="list-style-type: none"> • Coverage is not available to retirees
<p>Producers</p> <ul style="list-style-type: none"> • Only CIGNA appointed and licensed brokers/agents may market, present and sell CIGNA products • All quotes are subject to change based on additional information that may become available after the quoting process and during the installation process, including any census change
<p>Out of State Employees</p> <ul style="list-style-type: none"> • Any active employee living in a state other than where the company is domiciled, is considered an out of state employee • Out of State Employees may only select an OAP plan
<p>COBRA/Cal COBRA</p> <ul style="list-style-type: none"> • Federal COBRA applies to all employer groups, with at least 20 employees (regardless of full time or part-time status) on at least 50% of their working days in the prior calendar year. Federal COBRA is administered by the Employer and therefore it is the Employer’s responsibility to notify the employee of their rights under COBRA • CAL COBRA applies to all employer groups of 2-19 eligible employees as defined by AB1672 • CAL COBRA rates are 110% of the group rates (RAF) CAL COBRA is administered by AAQHC on behalf of CIGNA • COBRA or CAL.Cobra participants must complete a COBRA or Cal COBRA form • COBRA or CAL COBRA participants do not count towards employee count for determining an employer group size
<p>Carve Outs</p> <ul style="list-style-type: none"> • The following types of Carve Out can be considered for coverage: Management vs. Non Management, Owners vs. Non Owners, Salaried vs. Hourly employees, Union vs. Non Union and Location • Carve Outs generally are not Guarantee Issue under AB1672, unless standard participation is met for the entire eligible employee population. (example: If a group has a total of 30 eligible employees, but are asking to only enroll 6 managers, the group would not meet the standard participation requirement and there for may be declined.) • Minimum number of employees required to enroll in a Carve Out is 5 • Individual Health Statements will be required for all enrollees in a Carve Out

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