Final

Report on the

Medical Loss Ratio Examination

of

Nippon Life Insurance Company of America
(Des Moines, Iowa)

for the

2017 MLR Reporting Year

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

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR CONSUMER INFORMATION & INSURANCE OVERSIGHT

OVERSIGHT GROUP

January 6, 2025

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 Nippon Life Insurance Company of America (the Company) for the 2017 reporting year, including 2017, 2016, and 2015 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.

Christina A. Whitefield

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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2017 Medical Loss Ratio (MLR) Annual Reporting Form for Nippon Life Insurance Company of America (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2017 MLR Annual Reporting Form contains some 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: obtaining and maintaining adequate information to accurately determine the market classification of group policies; maintaining adequate documentation to support direct written premium, maintaining adequate documentation to prove a good faith effort was made to deliver any unclaimed rebates to enrollees; ensuring that incurred claims and earned premium are accurately calculated and reported; properly calculating the average deductible for its deductible factor computations; and, adopting and implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions and the accuracy of the MLR Annual Reporting Form.

To the extent that the findings could be quantified, the recalculation of the Company's 2017 MLRs resulted in net decreases to its reported MLRs in the small group market in one state and in the large group market in 11 states, increasing the Company's rebate liability for the 2017 reporting year by $2,941,593 in the large group market in five states.

II. Scope of Examination

CCIIO examined the Company's 2017 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, 2015 through December 31, 2017, including 2015, 2016, and 2017 experience and claims run-out through March 31, 2018. 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
6, 7	**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 regulation, and therefore may not have correctly determined each group's size and market classification.
6, 8, 10	**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 did not obtain and maintain documentation and other evidence supporting its determination of each group policyholder's size. The Company did not maintain the documents and other records necessary to enable CCIIO to verify the accuracy of direct premium written reported on its 2017 MLR Annual Reporting Form. The precise impact of the inability to support premium written cannot be conclusively determined. The Company did not provide sufficient evidence necessary to enable CCIIO to verify the good faith effort it made to locate and deliver unclaimed rebates. This error did not impact the Company's MLR calculation.
7	**Failure to accurately report incurred claims, as required by §158.140 –** The Company improperly included in its paid claims the amount paid to its pharmacy benefit manager (PBM) that exceeded the reimbursement to pharmacies. As a result, the Company overstated it three-year aggregate

	incurred claims on its 2017 MLR Annual Reporting Form by a total of $397,445 in the small group market, and $12,656,456 in the large group market.
7, 9	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 –** The Company failed to report adjusted incurred claims for 2015 in the PY2 column on Part 3, Line 1.1, of its 2017 MLR Annual Reporting Form, as required by the MLR Annual Reporting Form Filing Instructions. This error did not impact its MLR calculations. The Company improperly included adjustments for the federal risk adjustment transfer amounts for the small group market in premium written on its 2017 MLR Annual Reporting Form. As a result, the Company overstated its current year earned premium by $655,000 in the small group markets. The Company improperly reported paid MLR rebates as experience rating refunds in the 12/31 column of its 2015, 2016, and 2017 MLR Annual Reporting Forms. This error did not impact the Company's MLR calculations, as the 12/31 column is not used in the calculation.
10, 11	**Failure to calculate the average deductible in accordance with the requirements of §158.232(c) –** The Company improperly determined the average per person deductible for policies with a family deductible. As a result of this error, the deductible factors have been restated to 1.0 for the Texas small group market, and for the Kentucky, Ohio, and Texas large group markets, and adjusted to 1.1832304 for the New Jersey large group market.

Based on the adjustments that could be quantified, the examination findings decreased the Company's reported MLRs in the small group market in one state and in the large group market in 11 states. The recalculated MLRs in the large group market in five states either fell below, or continued to be below, the 85% MLR standard, resulting in an estimated additional rebate liability of $2,941,593 for the 2017 reporting year. Due to the Company's use of the incorrect standard for determining group size and market classification, and the inadequate documentation supporting the Company's direct premium written, we cannot, at this time, conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

The three-year, aggregated incurred claims and earned premium amounts, combined for all 15 states in which the Company had health insurance coverage in effect, along with the additional rebates owed for 2017, are shown in the following tables. The differences between the amounts in the "As Filed" and the "As Recalculated" rows reflect the net impact of the adjustments made to properly restate incurred claims and earned premium.

Recalculated Aggregate[1] Small Group and Large Group Market Incurred Claims, Earned Premium, and Rebates for the 2017 Reporting Year

	Small Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$20,482,620	$24,538,552	$0
As Recalculated	$20,085,175	$23,883,552	$0
Difference	($397,445)	($655,000)	$0

	Large Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$624,982,695	$819,509,283	$20,824,474
As Recalculated	$612,326,239	$819,509,283	$23,766,067
Difference	($12,656,456)	$0	$2,941,593

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit life insurer domiciled in Iowa. The Company sells group health insurance policies in 15 states.

During the 2015, 2016, and 2017 MLR reporting years, the Company operated in the small group and large group markets that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2017, the Company reported a total of 50,669 covered lives and $301,765,619 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 103,407 covered lives and $329,458,425 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 stand-alone group dental and vision coverage.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2017 were:

Officers

Name	Title
Kenji Koshiro	President & Chief Executive Officer
Francine J. Young	Executive Vice President & Chief Operating Officer
Bruce J. Walker	Chief Financial Officer & Secretary

[1] See Appendix I to this report for the three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for the 2017 reporting year, for the states and markets in which the MLRs changed as a result of the examination findings.

Directors

Name

Gregory Burrows	Kenji Koshiro
Koji Ichiba	Hiroo Sakuma
Yutaka Ideguchi	Francine J. Young
Masamichi Kishimoto	

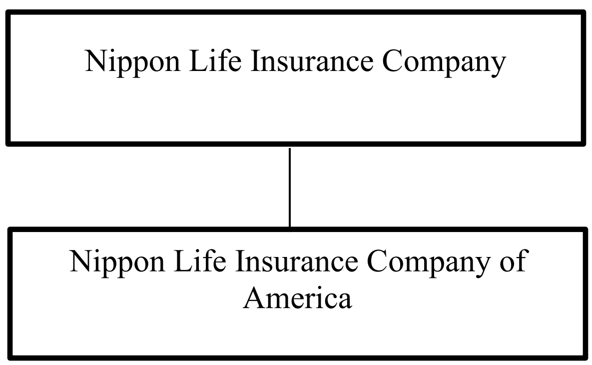
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2017 MLR Annual Reporting Form were:

Name	**Title**
James Brone	CEO Attester
Bruce Walker	CFO Attester

C. Ownership

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

Nippon Life Insurance Company of America
Organizational Chart as of December 31, 2017[2]



D. Agreements

As of December 31, 2017, the Company did not have any intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form.

E. Reinsurance

During 2015, 2016, and 2017, 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.

[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.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 655 Third Avenue, New York, New York, 10017. 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 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 Company did not provide sufficient evidence necessary to enable CCIIO to verify: its group size determinations and market classifications; the accuracy of direct premium written reported; and its good faith effort to locate and deliver unclaimed rebates.

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 2015, 2016, and 2017 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2015, 2016, and 2017 MLR Annual Reporting Forms were filed by the due date.

The Company reported that it met or exceeded the applicable MLR standard in the small group market in eight states and in the large group market in nine states, in 2017, and thus was not required to pay rebates to its enrollees in these states and markets. The Company reported that it did not meet the 85% MLR standard in the large group market in four states, in 2017, and paid rebates totaling $20,824,474 in those states.

Based on the reporting and other errors found during the examination that could be quantified, the Company's MLRs for the 2017 reporting year were recalculated and resulted in an estimated additional rebate liability of $2,941,593 in the large group market in five states. However, due to the Company's use of the incorrect standard for determining group size and market classification, as well as the inadequate documentation supporting the Company's premium written, we cannot conclusively assess whether there were additional errors that could have impacted the Company's 2017 MLRs and rebate liability.

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 2015-2017 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 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, and therefore 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, the original or renewal application for coverage containing the total number of eligible employees at the time of 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 eligible 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 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, we cannot conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

Aggregation
Based upon the procedures performed, other than the possibly incorrect group size and market classification determinations noted above, 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 states, markets, and lines of business, in accordance with §158.120.

Incurred Claims

Improper Reporting of Prescription Drug Costs
The Company improperly included in its paid claims on Part 2, Line 2.1b, on its 2015, 2016, and 2017 MLR Annual Reporting Forms, the amount paid to its PBM for pharmacy claims, an amount that exceeded the total amount the PBM paid the 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 its three-year aggregate incurred claims on its 2017 MLR Annual Reporting Form by $397,445 in the small group market, and $12,656,456 in the large group market.

Improper Reporting of Prior Year Incurred Claims
The Company improperly reported its 2015 adjusted incurred claims on Part 3, Line 1.1, in the PY2 column of its 2017 MLR Annual Reporting Form for all states and markets. According to the 2017 MLR Annual Reporting Form Filing Instructions, the amount(s) reported on Part 3, Line 1.1, PY2 column, must be the same as the amount(s) originally reported on the respective prior year's MLR Annual Reporting Form(s). 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 calculation.

Based upon the procedures performed, including validating a sample of incurred claims (as defined by §158.140), other than the 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
In accordance with §158.221(b)(8), as in effect prior to the 2020 MLR reporting year, for the 2017 MLR reporting year the Company reported QIA expenses of 0.8 percent of earned premium in all markets, in lieu of reporting its actual expenditures on activities that improve health care quality, as defined in §158.150 and §158.151[3]. The examination adjustments to the Company's earned premium for the 2017 MLR reporting year resulted in a net decrease to its 2017 adjusted earned premium in eight states, and consequently, a decrease in its QIA expenses reported on Part 3, Line 1.3, of $5,216 in the small group market.

Based upon the procedures performed, other than the recalculation of 0.8% of earned premium as noted above, 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

Failure to Maintain Adequate Documentation
The Company did not adequately maintain supporting documentation for the direct premium written reported on Part 2, Line 1.1, of its 2017 MLR Annual Reporting Form, as required by §158.502. The Company could not provide support for premium billing for any policies tested during the examination, 26 policies in the small group market and 26 policies in the large group market. According to §158.502, an issuer must maintain all documents and other evidence necessary to enable CCIIO to verify that the MLR is calculated accurately and that any rebates are calculated and disbursed in accordance with 45 CFR Part 158.

According to the Company, it determines earned premium collectively for all lines of business on a quarterly basis (i.e., health insurance, life insurance, and other coverages not subject to the reporting and rebate requirements of 45 CFR, Part 158). It then manually calculates earned premium for each employer group it insured that quarter. The Company includes all paid premium, the change in due and unpaid premium, and advance premium for that quarter. The

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[3] The HHS Notice of Benefit and Payment Parameters for 2019 Final Rule (83 FR 16930) amended §158.221 by adding paragraph (b)(8) to provide issuers with an option to report an amount equal to 0.8 percent of earned premium in the relevant state and market, in lieu of reporting actual QIA expenses, starting with the 2017 MLR reporting year. That provision was removed for 2020 and later MLR reporting years in the HHS Notice of Benefit and Payment Parameters for 2022 Final Rule (86 FR 24140), consistent with the United States District Court for the District of Maryland decision in *City of Columbus, et al. v. Cochran*, 523 F. Supp. 3d 731 (D. Md. 2021) vacating the 0.8 percent QIA reporting option in §158.221(b)(8).

amount of advanced, or due and unpaid, premium is manually determined by comparing all the bills and receipts for each group from the effective date of the policy through the quarterly validation date. Once the quarterly earned premium amount is calculated, other adjustments are made, such as allocating the amount to the applicable months and lines of business based on a pro-rata proportion of billed premium each month. When a premium payment is received from a group for which a bill does not exist in the Company's policy administration system, it is considered to be "unallocated", and therefore allocated based on the historical medical and other types of coverages in effect. According to the Company, any misallocation is ultimately reversed in the following quarters, after they create the actual bill associated with each payment.

In addition to allocating the manually calculated quarterly earned premium to the applicable months and lines of business, the Company also allocates various true-up adjustments to all groups and markets, spreading the differences from the general ledger to all other groups and lines of business. Due to the complex manual calculation and allocation of earned premium, as well as other adjustments, the amount of direct premium written tested during the examination could not be directly tied to the monthly amount invoiced and recorded as cash received from each employer group policyholder.

Improper Reporting of Earned Premium
The Company improperly included federal risk adjustment transfer amounts for the small group market as an adjustment to premium written reported in the 3/31 column on Part 2, Line 1.1, of its 2017 MLR Annual Reporting Form. In accordance with the 2017 MLR Reporting Form Annual Filing Instructions, federal risk adjustment transfer amounts must not be reflected in the 3/31 columns of premium written. The Company properly reported the federal risk adjustment transfer amounts on Part 2, Line 1.10, and Part 3, Line 1.6, on its 2017 MLR Annual Reporting Form. Consequently, incorrectly adjusting premium written in the 3/31 column of Part 2 resulted in the double counting of the impact of the federal risk adjustment transfer amounts. As a result, the Company overstated its current year earned premium on Part 3, Line 2.1 by $655,000 in the small group market in eight states.

Improper Reporting of Experience Rating Refunds
The Company improperly reported on Part 2, Line 1.4a, 12/31 column, of its 2015, 2016, and 2017 MLR Annual Reporting Forms, in four states, the amount of MLR rebates paid as experience rated refunds. According to the MLR Annual Reporting Form Filing Instructions, federal MLR rebates should be excluded from Part 2, Line 1.4a and Line 1.4b. The Company properly excluded Federal MLR rebates from the 3/31 column on Part 2, Line 1.4b. This error did not impact the MLR calculation, as the amounts included in the 12/31 column are not included in the MLR calculation.

Due to the lack of adequate documentation supporting the Company's calculation of its premium written, as noted above, we could not determine whether the Company properly reported premium on a direct basis or whether the data elements underlying the 2015, 2016, and 2017 premium reported on the Company's 2017 MLR Annual Reporting Form were compliant with §158.130.

Taxes

Based upon the procedures performed, nothing came to our attention that would indicate that the taxes, licensing, and regulatory fees excluded from 2015, 2016, and 2017 earned premium on the Company's 2017 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 states and markets, as required by §158.170.

Federal Risk Adjustment Program
Based upon the procedures performed, other than the improper inclusion of federal risk adjustment transfer amounts as adjustments to premium written, as noted above, nothing 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 2017 benefit year, as required by §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Improper Calculation of the Average Deductible
The Company improperly computed the average deductible for purposes of calculating the credibility adjustment for its policies in the Texas small group market, and in the Kentucky, New Jersey, Ohio, and Texas large group markets. The Company did not determine the per person deductible for policies with a family deductible in accordance with §158.232(c)(i). As a result of the improperly calculated average deductible that the Company reported on Part 3, Line 3.3, the deductible factor was also incorrectly reported on Part 3, Line 3.4. Based on the documentation provided by the Company for the Texas small group market, and the Kentucky, Ohio, and Texas large group markets, we could not determine the correct average deductible or deductible factor. As a result, we restated the deductible factors to 1.0 in these states. However, during the examination, the Company provided support for the correct calculation of the average deductible for the New Jersey large group market, and as a result, the deductible factor in this market was restated to 1.1832304.

Based upon the procedures performed, other than the use of the incorrect average deductible in the credibility adjustment calculation, as 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 and in accordance with 45 CFR Part 158 and the 2017 MLR Annual Reporting Form Filing Instructions.

The Company reported that it did not meet the 2017 MLR standard of 85% in the large group market in four states. The Company used the correct procedures to calculate the large group market rebates of $20,824,474. 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 2017 MLRs and rebate amounts.

C. Rebate Disbursement and Notice

Failure to Maintain Adequate Documentation
The Company did not provide the written evidence necessary to enable CCIIO to verify that it made a good faith effort to locate and deliver unclaimed rebates, as required by §158.244.

According to §158.502, an issuer must maintain all documents and other evidence necessary to enable CCIIO to verify that the MLR is calculated accurately and that any rebates are calculated and disbursed in accordance with 45 CFR Part 158. However, the Company was able to verbally explain to the examiners, during the examination, the process it used to locate and deliver unclaimed rebates, even though it did not maintain evidence of that process. This error did not impact the MLR calculation.

According to its 2017 MLR Annual Reporting Form, the Company reported that it owed rebates in the large group market in four states. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-243, and Rebate Notices in accordance with §158.250.

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 Iowa Insurance Division performed a financial examination of the Company in 2016 covering the period January 1, 2011 through December 31, 2015. There were no findings as a result of the financial examination.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2017 MLR Annual Reporting Form. No post-December 31, 2017 significant events were brought to CCIIO's attention.

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

CCIIO examined Nippon Life Insurance Company of America's 2017 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 2017 MLR Annual Reporting Form contained some elements that were not compliant with the requirements of 45 CFR Part 158.

Based on the cumulative effect of the examination findings that could be quantified, the recalculation of the Company's MLRs resulted in a substantive change to its reported MLRs for the small group and large group markets. As a result, we estimate that the Company owes additional rebates of $2,941,593 in the large group market in five states. However, 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 inadequate documentation supporting the Company's direct premium written, we cannot, conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

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 or 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.

Company Response

Nippon Life Insurance Company of America, prior to the issuance of the final examination report, proactively adopted and implemented the guidance articulated in Corrective Action 1. The Company undertook this action independently, without adopting any formal position regarding the underlying audit findings, whether in agreement or dispute.

CCIIO Reply

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

Corrective Action #2

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 adequately storing documentation related to the number of employees of group policyholders, as well as maintaining documentation, as may be necessary, to enable CCIIO to verify the accuracy of direct premium written, and maintaining evidence of its good faith effort to locate and deliver unclaimed rebates to enrollees.

Company Response

Nippon Life Insurance Company of America, prior to the issuance of the final examination report, proactively adopted and implemented the guidance articulated in Corrective Action 2. The Company undertook this action independently, without adopting any formal position regarding the underlying audit findings, whether in agreement or dispute.

CCIIO Reply

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

Corrective Action #3

The Company must adopt and implement policies and procedures to ensure 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.

Company Response
Nippon Life Insurance Company of America, prior to the issuance of the final examination report, proactively adopted and implemented the guidance articulated in Corrective Action 3. The Company undertook this action independently, without adopting any formal position regarding the underlying audit findings, whether in agreement or dispute.

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 it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including ensuring proper reporting of adjusted incurred claims, ensuring federal risk adjustment transfer amounts are not included in premium written, and ensuring that experience rating refunds do not include MLR rebates.

Company Response
Nippon Life Insurance Company of America, prior to the issuance of the final examination report, proactively adopted and implemented the guidance articulated in Corrective Action 4. The Company undertook this action independently, without adopting any formal position regarding the underlying audit findings, whether in agreement or dispute.

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 that it calculates the average deductible in accordance with §158.232(c), including correctly calculating the per person deductible for policies with a family deductible. Alternatively, the Company may elect to use a deductible factor of 1.0 in lieu of calculating average deductibles.

Company Response
Nippon Life Insurance Company of America, prior to the issuance of the final examination report, proactively adopted and implemented the guidance articulated in Corrective Action 5. The Company undertook this action independently, without adopting any formal position regarding the underlying audit findings, whether in agreement or dispute.

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

Corrective Action #6

The Company must re-file its 2017 MLR Annual Reporting Form to rectify the errors and reflect the 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 (additional) rebates due 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

Nippon Life Insurance Company of America agrees to refile its 2017 MLR Annual Reporting Form in accordance with Corrective Action 6, taking this action without adopting any formal position on the underlying audit findings, whether in agreement or dispute.

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.

IX. Appendix I – Recalculated MLRs[4] and Rebates for the 2017 Reporting Year

The three-year adjusted, aggregate numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2017, for the states and markets in which the MLRs changed as a result of the examination, 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 restate incurred claims and earned premium, and to restate the deductible factor.

California

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$181,320,123	$255,003,877	71.1%	$16,095,810
As Recalculated	$177,777,847	$255,003,877	69.7%	$17,716,971
Difference	($3,542,276)	$0	(1.4%)	$1,621,161

Georgia

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$15,186,957	$20,806,342	73.0%	$970,863
As Recalculated	$14,855,413	$20,806,342	71.4%	$1,100,312
Difference	($331,544)	$0	(1.6%)	$129,449

Illinois

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$54,602,370	$61,963,402	90.8%	$0
As Recalculated	$53,505,858	$61,963,402	89.0%	$0
Difference	($1,096,512)	$0	(1.8%)	$0

Indiana

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$10,551,556	$11,333,924	99.3%	$0
As Recalculated	$10,234,455	$11,333,924	96.5%	$0
Difference	($317,101)	$0	(2.8%)	$0

Kentucky

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$4,644,760	$5,014,231	102.3%	$0

[4] 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	$4,527,400	$5,014,231	98.3%	$0
Difference	($117,360)	$0	(4.0%)	$0

Michigan

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$27,986,540	$34,925,631	80.1%	$518,996
As Recalculated	$27,330,918	$34,925,631	78.3%	$709,647
Difference	($655,622)	$0	(1.8%)	$190,651

New Jersey

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$176,070,841	$208,044,963	86.3%	$0
As Recalculated	$172,588,098	$208,044,963	84.64%	$241,238
Difference	($3,482,743)	$0	(1.7%)	$241,238

New York

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$114,982,649	$146,335,771	78.6%	$3,238,805
As Recalculated	$112,788,386	$146,335,771	77.1%	$3,997,900
Difference	($2,194,263)	$0	(1.5%)	$759,095

Ohio

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$11,886,007	$11,269,430	113.1%	$0
As Recalculated	$11,704,114	$11,269,430	110.2%	$0
Difference	($181,893)	$0	(2.9%)	$0

Tennessee

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$5,609,805	$6,450,721	94.5%	$0
As Recalculated	$5,427,402	$6,450,721	91.6%	$0
Difference	($182,403)	$0	(2.9%)	$0

Texas

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$10,140,522	$11,029,238	99.8%	$0
As Recalculated	$9,937,895	$11,003,513	96.2%	$0
Difference	($202,627)	($25,725)	(3.6%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$24,713,571	$27,077,014	96.4%	$0
As Recalculated	$24,216,450	$27,077,014	93.1%	$0
Difference	($497,121)	$0	(3.3%)	$0