



THE STATE OF FLORIDA

OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS

TARGET MARKET CONDUCT FINAL EXAMINATION REPORT

OF

Aetna Life Insurance Company

AS OF

November 13, 2009

NAIC COMPANY CODE: 60054

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EXECUTIVE SUMMARY

The purpose of this examination was to verify the accuracy of the self-reported 2008 Gross Annual Premium and Enrollment (GAP) submission.

Data downloads and additional supporting documents provided by Aetna Life Insurance Company (Company) were reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement. The following represent general findings. Specific details are found in each section of the report.

Summary of Findings			
GAP Reporting Area	Market Segment	Findings	Reason
Total Direct Premiums Written	51+ Member Groups	Overstated by \$4,733,403	Incorrectly included Federal Employees Health Benefits Program (FEHBP) in both segments
	Dental	Overstated by \$1,620,504	
Direct Losses Incurred	51+ Member Groups	Overstated by \$5,007,109	Incorrectly included Federal Employees Health Benefits Program (FEHBP) in both segments
	Dental	Overstated by \$1,519,087	
Employers/Groups	51+ Member Groups	Overstated by 1	Incorrectly included Federal Employees Health Benefits Program (FEHBP) in both segments
	Dental	Overstated by 2	
Primary Enrollees	51+ Member Groups	Overstated by 1,001	Incorrectly included Federal Employees Health Benefits Program (FEHBP) in both segments
	Dental	Overstated by 3,702	
Covered Enrollee Dependents	51+ Member Groups	Overstated by 1,120	Incorrectly included Federal Employees Health Benefits Program (FEHBP) in both segments
	Dental	Overstated by 3,420	

PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Aetna Life Insurance Company pursuant to Section 624.3161, Florida Statutes. The examination was performed by AGI Services. The scope period of this examination was January 1, 2008 through December 31, 2008. The examination began on August 3, 2009 and ended November 13, 2009.

Pursuant to Section 627.9175, F.S., and Rule 69O-137.004 F.A.C., each health insurer, prepaid limited health services organization, and health maintenance organization is required to file a Report of Gross Annual Premiums and Enrollment Data for Health Benefit Plans Issued to Florida Residents (GAP) by April 1 of each year.

The purpose of this examination was to verify the accuracy of the data reported for each market segment in which the company conducts business. There are seven reporting areas required in the GAP submission.

- 1) Direct Premiums Earned for New and Renewal Business
- 2) Direct Losses Incurred
- 3) Direct Premiums Earned for New Business Only
- 4) Employers, if Group Coverage, at End of Reporting
- 5) Primary Insureds at End of Reporting
- 6) Covered Dependents at End of Reporting
- 7) Average Number of Days Taken to Pay Claims

The following procedures were used in conducting the review:

- Obtained a data download of direct premiums earned, direct losses, employers (if group coverage), primary insureds, covered dependents and claims paid. This data was reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement.
- Analyzed data and performed computer aided audit techniques using ACL to verify the accuracy of the data provided and determine the proper classification.
- Identified areas of concern and held discussions with Company personnel to address and understand these areas.

In reviewing materials for this final report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

COMPANY OPERATIONS

Aetna Life Insurance Company is a foreign Life and Health insurer licensed to conduct business in the State of Florida on August 1, 1916.

For calendar year 2008, the Company reported premiums in the following market segments: major medical in-state, major medical out-of-state, dental, disability income, excess/stop loss, hospital indemnity, long term care, Medicare supplement and student.

Total Direct Premiums Written in Florida for Accident and Health Premiums were as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2008	\$407,640,297
2007	\$386,867,031

GAP ANALYSIS AND RESULTS

I. General Findings

Findings: The Company did not report the actual amounts for the 2008 major medical market segments. Instead, it used a pro rata method based on the 2007 GAP Report to apportion the numbers across these market segments.

Corrective Actions: The Company should use actual amounts determined from data applicable to the current calendar year for all market segments.

II. Direct Premiums Earned for New and Existing Business

Findings: The Company incorrectly included Federal Employees Health Benefits Plan (FEHBP) with Line 6: 51+ Member Group and Line 23: Dental. This resulted in Direct Premiums Earned for New and Existing Business being overstated by \$4,733,403 for Line 6: 51+ Member Groups and by \$1,620,504 for Line 23: Dental.

Corrective Action: Federal Employees Health Benefits Plan (FEHBP) direct premiums earned should not be included on the GAP Filing.

III. Direct Losses Incurred

Findings: The Company incorrectly included FEHBP with Line 6: 51+ Member Group and Line 23: Dental. This resulted in Direct Losses Incurred being overstated by \$5,007,109 for Line 6: 51+ Member Groups and by \$1,519,087 for Line 23: Dental.

Corrective Action: FEHBP losses should not be included on the GAP Filing.

IV. Direct Premiums Earned for New Business Only

Findings: None

Corrective Action: None

V. **Employers, if Group Coverage, at End of Reporting**

Findings: The Company incorrectly included FEHBP with Line 6: 51+ Member Group and Line 23: Dental. This resulted in the group count being overstated by one group for Line 6: 51+ Member Groups and by two groups for Line 23: Dental.

Corrective Action: FEHBP should not be included as a group on the GAP Filing.

VI. **Primary Insureds at End of Reporting**

Findings: The Company incorrectly included FEHBP with Line 6: 51+ Member Group and Line 23: Dental. This resulted in the primary insureds count for Line 6: 51+ Member group being overstated by 1,001 and Line 23: Dental counts being overstated by 3,702.

Corrective Action: FEHBP primary insureds should not be included on the GAP Filing.

VII. **Covered Dependents at End of Reporting**

Findings: The Company incorrectly included FEHBP with Line 6: 51+ Member Group and Line 23: Dental. This resulted in the covered dependent count for Line 6: 51+ Member group being overstated by 1,120 and Line 23: Dental counts being overstated by 3,420.

Corrective Action: FEHBP covered dependents should not be included on the GAP Filing.

VIII. **Average Number of Days Taken to Pay Claims**

Findings: None

Corrective Actions: None

EXAMINATION FINAL REPORT SUBMISSION

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Examiners participating with this exam were:

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