

SERFF Tracking Number: AETN-126216619 State: Arkansas
Filing Company: Aetna Life Insurance Company State Tracking Number: 42818
Company Tracking Number:
TOI: H16I Individual Health - Major Medical Sub-TOI: H16I.005A Individual - Preferred Provider (PPO)
Product Name: AR 01/01/2010 Medical Rate Filing
Project Name/Number: AR 1/1/2010 Medical Rate Filing/

Filing at a Glance

Company: Aetna Life Insurance Company
Product Name: AR 01/01/2010 Medical Rate Filing SERFF Tr Num: AETN-126216619 State: Arkansas
TOI: H16I Individual Health - Major Medical SERFF Status: Closed- Disapproved State Tr Num: 42818
Sub-TOI: H16I.005A Individual - Preferred Provider (PPO) Co Tr Num: State Status: Disapproved-Closed
Filing Type: Rate Reviewer(s): Rosalind Minor
Authors: Bruce Campbell, Beatriz Girasulo, Tabitha Stein, Josephine Williams Disposition Date: 09/01/2009
Date Submitted: 07/06/2009 Disposition Status: Disapproved
Implementation Date Requested: 01/01/2010 Implementation Date:
State Filing Description:

General Information

Project Name: AR 1/1/2010 Medical Rate Filing Status of Filing in Domicile:
Project Number: Date Approved in Domicile:
Requested Filing Mode: Review & Approval Domicile Status Comments:
Explanation for Combination/Other: Market Type: Individual
Submission Type: New Submission Group Market Size:
Overall Rate Impact: 16.7% Group Market Type:
Filing Status Changed: 09/01/2009 Explanation for Other Group Market Type:
State Status Changed: 09/01/2009
Deemer Date: Created By: Tabitha Stein
Submitted By: Tabitha Stein Corresponding Filing Tracking Number:
Filing Description:
AR 01/01/2010 Medical Rate Filing

Company and Contact

Filing Contact Information

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Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Disapproved	Rosalind Minor	09/01/2009	09/01/2009

Objection Letters and Response Letters

Objection Letters				Response Letters		
Status	Created By	Created On	Date Submitted	Responded By	Created On	Date Submitted
Pending	Rosalind Minor	07/06/2009	07/06/2009	Tabitha Stein	08/06/2009	08/06/2009

Industry
Response

Filing Notes

Subject	Note Type	Created By	Created On	Date Submitted
Response	Note To Reviewer	Tabitha Stein	08/28/2009	08/28/2009
Your response to my objection letter	Note To Filer	Rosalind Minor	08/06/2009	08/06/2009

SERFF Tracking Number: AETN-126216619 *State:* Arkansas
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Disposition

Disposition Date: 09/01/2009

Implementation Date:

Status: Disapproved

Comment:

Our Department is DISAPPROVING your request for a 16.7% rate increase on this block of business based on the fact that the Arkansas experience is not credible and this is a fairly new product that does not have three calendar years experience.

Thank you for your understanding in this matter.

Rate data does NOT apply to filing.



Tabitha Stein
 Individual Actuarial, RT52
 Aetna Inc.
 151 Farmington Ave.
 Hartford, CT 06156
 (860) 273-0721 (phone)
 (860) 754-9151 (fax)
 SteinT@Aetna.com

August 28, 2009

Ms. Rosalind Minor
 Sr. Certified Rate & Form Analyst
 Life, A&H Division
 Arkansas Department of Insurance
 1200 West Third Street
 Little Rock, AR 72201-1904

Re: Aetna Life Insurance Company, NAIC No. 00160054
 Form GR-11741) – Comprehensive and Limited Medical Expense PPO Policies
 Form GR-11741 (5/07) – Comprehensive Medical Expense PPO Policies
 SERFF Tracking Number: AETN-126216619
 State Tracking Number: 42818

Dear Ms. Minor,

The purpose of this letter is to address your objection letter dated August 6, 2009 for the above referenced forms.

Below is your objection:

1) *Thank you for providing the requested experience on a calendar year basis. Is this experience nationwide or Arkansas Experience. If it is Arkansas Experience, please submit the experience for Nationwide for our review.*

The following tables present historical experience for states which border Arkansas. Aetna is actively marketing products in these states which are comparable to those marketed in Arkansas. In addition to being neighboring states of Arkansas, these states were selected as they represent varying levels of portfolio/business maturity and so can be used to demonstrate the development of experience for individual medical products.

The following table presents Oklahoma-specific experience. The initial launch in this market was September 2007.

Experience Period	Member Months	Aggregate		PMPM		Incurred Loss Ratio
		Earned Premium	Incurred Claims	Earned Premium	Incurred Claims	
01/01/2007 through 12/31/2007	413	\$59,449	\$86,808	\$143.94	\$210.19	146%
01/01/2008 through 12/31/2008	10,211	\$1,442,198	\$589,222	\$141.24	\$57.70	40.9%

The following table presents Missouri-specific experience. The initial launch in this market was December 2006.

<u>Experience Period</u>	<u>Member Months</u>	<u>Aggregate</u>		<u>PMPM</u>		<u>Incurred Loss Ratio</u>
		<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	
01/01/2006 through 12/31/2006	17	\$1,552	\$374	\$91.29	\$22.03	18.7%
01/01/2007 through 12/31/2007	4,181	\$579,916	\$531,953	\$138.70	\$127.23	91.7%
01/01/2008 through 12/31/2008	20,034	\$2,581,646	\$1,289,389	\$128.86	\$64.36	49.9%

The following table presents Texas-specific experience. The initial launch in this market was February 2005.

<u>Experience Period</u>	<u>Member Months</u>	<u>Aggregate</u>		<u>PMPM</u>		<u>Incurred Loss Ratio</u>
		<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	
01/01/2005 through 12/31/2005	62,089	\$8,920,721	\$4,595,037	\$143.68	\$74.01	51.5%
01/01/2006 through 12/31/2006	300,574	\$43,800,574	\$26,594,498	\$145.72	\$88.48	60.7%
01/01/2007 through 12/31/2007	514,203	\$83,083,970	\$53,144,919	\$161.58	\$103.35	64.0%
01/01/2008 through 12/31/2008	626,635	\$109,004,106	\$76,350,572	\$173.95	\$121.84	70.0%

The following table presents combined Oklahoma, Missouri, and Texas experience.

<u>Experience Period</u>	<u>Member Months</u>	<u>Aggregate</u>		<u>PMPM</u>		<u>Incurred Loss Ratio</u>
		<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	
01/01/2005 through 12/31/2005	62,089	\$8,920,721	\$4,595,037	\$143.68	\$74.01	51.5%
01/01/2006 through 12/31/2006	300,591	\$43,802,126	\$26,594,872	\$145.72	\$88.48	60.7%
01/01/2007 through 12/31/2007	518,797	\$83,723,335	\$53,763,680	\$161.38	\$103.63	64.2%
01/01/2008 through 12/31/2008	656,880	\$113,027,950	\$78,229,183	\$172.07	\$119.09	69.2%

At the time of policy issue, individuals are medically underwritten and quoted a rate which is guaranteed for a 12-month period. The underwriting determination made at policy issue remains until the policyholder cancels their policy. Aetna will not re-underwrite or rate-up as a person's medical condition changes. At early policy durations the experience is expected to have a lower loss ratio; as a policy ages it is expected that the loss ratio will rise, as noted in the tables above. We price to a long-term lifetime loss ratio. The expected loss ratio is below the lifetime loss ratio at early durations and above at later durations. In order to reach the expected lifetime loss ratio, premium increases must equal trend. If a rate increase is missed, the lifetime loss ratio will increase by a corresponding amount. Subsequent rate actions must then be in excess of trend, attempting to bring the loss ratio back to expected, with higher lapses and potentially a deterioration spiral.

We trust that you will find everything in order, and we look forward to your response. If you have any questions regarding this filing, please do not hesitate to contact me at the address or telephone number shown above.

Very truly yours,

A handwritten signature in black ink that reads "Tabitha Stein". The signature is written in a cursive, slightly slanted style.

Tabitha Stein
Individual Markets Actuarial

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Objection Letter

Objection Letter Status Pending Industry Response
Objection Letter Date 07/06/2009
Submitted Date 07/06/2009

Respond By Date

Dear Tabitha Stein,

This will acknowledge receipt of the captioned filing.

Objection 1

- Health - Actuarial Justification (Supporting Document)

Comment:

Our Bulletin 4-79 outlines the data to be submitted for rate filings. Item (e) states that..."If the proposed rate is a rate revision for a policy or contract form currently approved, a description of the latest three calendar years experience on an earned premium to incurred claim basis for the policy or contract form...".

Please submit the experience on a calendar year basis.

Please feel free to contact me if you have questions.

Sincerely,

Rosalind Minor

Response Letter

Response Letter Status Submitted to State
Response Letter Date 08/06/2009
Submitted Date 08/06/2009

Dear Rosalind Minor,

Comments:

Please see attached response letter.

Response 1

Comments: Please see attached response letter.

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Related Objection 1

Applies To:

- Health - Actuarial Justification (Supporting Document)

Comment:

Our Bulletin 4-79 outlines the data to be submitted for rate filings. Item (e) states that..."If the proposed rate is a rate revision for a policy or contract form currently approved, a description of the latest three calendar years experience on an earned premium to incurred claim basis for the policy or contract form...".

Please submit the experience on a calendar year basis.

Changed Items:

Supporting Document Schedule Item Changes

Satisfied -Name: DOI Response

Comment: See attached response letter.

No Form Schedule items changed.

No Rate/Rule Schedule items changed.

Sincerely,

Beatriz Girasulo, Bruce Campbell, Josephine Williams, Tabitha Stein

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Note To Reviewer

Created By:

Tabitha Stein on 08/28/2009 08:33 AM

Last Edited By:

Rosalind Minor

Submitted On:

09/01/2009 03:02 PM

Subject:

Response

Comments:

Hello,

Attached please find the requested nationwide experience to support our AR 1/1/2010 rate increase request.

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Note To Filer

Created By:

Rosalind Minor on 08/06/2009 02:13 PM

Last Edited By:

Rosalind Minor

Submitted On:

09/01/2009 03:02 PM

Subject:

Your response to my objection letter

Comments:

Thank you for providing the requested experience on a calendar year basis. Is this experience nationwide or Arkansas Experience. If it is Arkansas Experience, please submit the experience for Nationwide for our review.

Thank you for your cooperation.