

Report on

Market Conduct Examination

of

Aetna Life Insurance Company

Hartford, Connecticut

by Representatives of the  
North Carolina Department of Insurance

as of

August 12, 2016

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Raleigh, North Carolina  
August 12, 2016

Honorable Wayne Goodwin  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
Dobbs Building  
430 N. Salisbury Street  
Raleigh, North Carolina 27603-5926

Honorable Katharine L. Wade  
Commissioner of Insurance  
Connecticut Insurance Department  
153 Market Street, 7<sup>th</sup> Floor  
Hartford, CT 06103

Honorable Commissioners:

Pursuant to your instructions and in accordance with the provisions of North Carolina General Statute (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of

**Aetna Life Insurance Company – (NAIC # 60054)**  
NAIC Exam Tracking System Exam Number: NC-NC094-1  
Hartford, Connecticut

hereinafter generally referred to as the Company, at the Company's offices located at 841 Prudential Drive, Jacksonville, Florida; 1600 SW 80<sup>th</sup> Terrace, Plantation, Florida; and at the North Carolina Department of Insurance (Department) office located at 11 S. Boylan Avenue, Raleigh, North Carolina. A report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

The Department conducted a target examination of the Company. This examination commenced on April 4, 2016, and covered the period of January 1, 2013, through December 31, 2014, with analyses of certain operations of the Company being conducted through August 1, 2016. This action was taken due to market analysis on the Company's claims practices. All comments made in this report reflect conditions observed during the period of the examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive, but included a limited review of the Company's practices and procedures in claims. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute or rule when the results of a sample show errors/non-compliance that fall outside certain tolerance levels. The Department applied a 3 percent tolerance level for claims. Sample sizes were generated using Audit Command Language (ACL) software. The Department utilized a 95% Confidence Level to determine the error tolerance level.

## EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Company's procedures and practices in the following area:

*Claims Practices* – Group Accident and Health Claims Paid: Failure to provide a 45-day status report; and failure to provide an Explanation of Benefits or maintain a copy of the check.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be viewed on the Department's Web site [www.ncdoi.com](http://www.ncdoi.com) by clicking "INSURANCE INDUSTRY", and then "Legislative Services" under "Other Divisions".

This examination identified various statutory violations, which may extend to other jurisdictions. The Company is directed to take immediate corrective action to demonstrate its ability and intention to conduct business in North Carolina according to its insurance laws and regulations. When applicable, corrective action for other jurisdictions must be addressed.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

### **CLAIMS PRACTICES**

#### Group Accident and Health Claims Paid

The Company provided a listing of 71 paid group accident and health claims. The entire population was reviewed.

The Company did not adhere to the provisions of NCGS 58-3-100(c) as four claims (5.6 percent error ratio) did not contain status reports that were sent every 45 days until the claims were settled.

The Company did not adhere to the provisions of Title 11 of the North Carolina Administrative Code (NCAC) Chapter 19, Section 0105 and NCGS 58-63-15(11)(j) as 71 claim files (100 percent error ratio) did not contain an Explanation of Benefits (EOB), nor a copy of the check. The average service time to process a claim payment was 93 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
8 - 14	9	12.7
15 - 21	5	7.1
22 - 30	4	5.6
31 - 60	16	22.5
Over 60	37	52.1
<b>Total</b>	<b>71</b>	<b>100.0</b>

Group Accident and Health Claims Denied

The Company provided a listing of 60 denied group accident and health claims. The entire population was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim denial was 84 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	1	1.7
8 - 14	8	13.3
15 - 21	6	10.0
22 - 30	6	10.0
31 - 60	14	23.3
Over 60	25	41.7
<b>Total</b>	<b>60</b>	<b>100.0</b>

Group Dental Claims Paid

The Company provided a listing of 2,631 paid group dental claims. One hundred thirty-one files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim payment was one calendar day. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	128	97.7
8 - 14	2	1.5
31 - 60	1	0.8
<b>Total</b>	<b>131</b>	<b>100.0</b>

Group Dental Claims Denied

The Company provided a listing of 2,110 denied group dental claims. One hundred thirty-one files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim denial was five calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	118	90.1
8 - 14	6	4.6
15 - 21	2	1.5
31 - 60	2	1.5
Over 60	3	2.3
<b>Total</b>	<b>131</b>	<b>100.0</b>

#### Group Disability Income Claims Paid

The Company provided a listing of 3,529 paid group disability income claims. One hundred thirty-one files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim payment was 29 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	14	10.7
8 - 14	38	29.0
15 - 21	13	9.9
22 - 30	14	10.7
31 - 60	43	32.8
Over 60	9	6.9
<b>Total</b>	<b>131</b>	<b>100.0</b>

#### Group Disability Income Claims Denied

The Company provided a listing of 3,650 denied group disability income claims. One hundred thirty-one files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim denial was 40 calendar days. A chart of the average service time follows:



<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	3	2.3
8 - 14	15	11.5
15 - 21	9	6.9
22 - 30	18	13.7
31 - 60	75	57.3
Over 60	11	8.3
<b>Total</b>	<b>131</b>	<b>100.0</b>

#### Group Life Claims Paid

The Company provided a listing of 6,306 paid group life claims. One hundred thirty-one files were randomly selected for review. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim payment was 18 calendar days. A chart of the average service time follows:

<b>Service Days</b>	<b>Number of Files</b>	<b>Percentage of Total</b>
1 - 7	94	71.8
8 - 14	11	8.4
15 - 21	12	9.1
22 - 30	5	3.8
31 - 60	4	3.1
Over 60	5	3.8
<b>Total</b>	<b>131</b>	<b>100.0</b>

#### Group Life Claims Denied

The Company provided a listing of 22 denied group life claims. The entire population was reviewed. No adverse trends or unfair trade practices were observed in this section of the examination.

The average service time to process a claim denial was 81 calendar days. A chart of the average service time follows:

Service Days	Number of Files	Percentage of Total
1 - 7	1	4.5
8 - 14	5	22.7
15 - 21	1	4.5
22 - 30	2	9.2
31 - 60	4	18.2
Over 60	9	40.9
<b>Total</b>	<b>22</b>	<b>100.0</b>

### COMMENTS, RECOMMENDATIONS, AND DIRECTIVES

The Company must send status reports every 45 days until the claim has been settled. The Company must maintain a record of all claim reports that specify the inception, handling, and disposition of each claim for a period of five years as required by 11 NCAC 19.0105.

### CONCLUSION

A target examination has been conducted on the market conduct affairs of Aetna Life Insurance Company for the period January 1, 2013, through December 31, 2014, with analyses of certain operations of the Company being conducted through August 1, 2016.

This examination was conducted in accordance with the Department and the NAIC Market Regulation Handbook procedures, including analyses of Company operations in the area of claims practices.

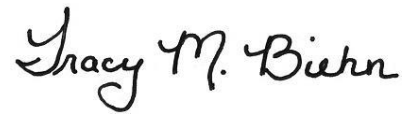
In addition to the undersigned, Darla Wright, MCM, and Marion Flemmings, HIA, HIPAAP, HCSA, MCM, North Carolina Market Conduct Senior Examiners, participated in this examination and in the preparation of this report.

Respectfully submitted,



Vicki S. Royal, CPM, MCM, ACS, AIAA, AIRC  
 Examiner-In-Charge  
 Market Regulation Division  
 State of North Carolina

I have reviewed this examination report and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.

A handwritten signature in black ink that reads "Tracy M. Biehn". The signature is written in a cursive style with a large, stylized 'T' and 'B'.

Tracy M. Biehn, MBA, MCM, LPCS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina