

Examination Warrant Number 15-00000-15827-01

**Report of Organizational Examination of  
Aetna HealthAssurance Pennsylvania, Inc.  
Blue Bell, Pennsylvania**

**As of October 29, 2015**

**For Informational Purposes Only**

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For Informational Purposes Only

Harrisburg, Pennsylvania  
November 11, 2015

Honorable Stephen J. Johnson, CPA  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 15-00000-15827-O1 dated November 2, 2015, an organizational examination was made of

**Aetna Health Assurance Pennsylvania, Inc., NAIC Code: 15827**

who has applied to become a Pennsylvania risk assuming preferred provider organization, which is not a licensed insurer ("RANLI-PPO"), hereinafter referred to as "Applicant." The examination was conducted at the Pennsylvania Insurance Department.

A report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

An organizational examination of the Applicant was conducted to determine compliance with 15 P.S. § 21207, for granting of a Certificate of Authority by the Pennsylvania Insurance Department ("Department").

The organizational examination was conducted as of October 29, 2015, and consisted of a general survey of the Applicant's business policies, practices, management, and any corporate matters incident thereto; verification of assets and a determination of liabilities.

**HISTORY**

Daniel C. Knox of Stradley Ronon Stevens & Young, LLP incorporated the entity as the Incorporator ("Incorporator") on June 3, 2015, at which time the Applicant was a shell only; it had no assets or liabilities and was not within the Aetna umbrella of companies. Subsequent to the incorporation, on June 12, 2015, the Incorporator executed a brief Statement of Incorporator appointing two directors and establishing the By-laws. At that time, the entity remained a shell with no assets or liabilities, and no shareholders. Immediately following the execution of the Statement of Incorporator, the two directors executed a written Consent in Lieu of Initial Meeting of the Board of Directors whereby they affirmed the By-laws, appointed officers, approved all actions the Incorporator had taken with regard to the formation of the corporation, and approved some other preliminary items (banking authority, etc.). Also on June 12, 2015, Aetna Health Holdings, LLC entered into a Subscription Agreement with the Applicant whereby it purchased 100 shares of the Applicant and became the sole shareholder.

On June 30, 2015, the Applicant sent an application to the Pennsylvania Insurance Department for a Certificate of Authority to transact the business of a RANLI-PPO under the provisions of 40 P. S. § 764a.

## **MANAGEMENT AND CONTROL**

### **CAPITALIZATION**

As of the examination date, October 29, 2015, the Applicant's total capitalization was \$5,000,001, consisting of 100 capital shares of issued and outstanding common stock with a par value of \$0.01 per share amounting to \$1 and \$5,000,000 in gross paid in and contributed surplus.

Preferred Provider Organizations have the same minimum capitalization requirements of a stock casualty insurer with accident and health powers which is \$1,125,000 in capital and surplus. 31 Pa. Code § 152.9(a) states that a risk-assuming preferred provider organization which is not a licensed insurer shall be deemed to have adequate working capital and reserves if its admitted assets exceed its liabilities by \$50,000 in excess of the minimum capital requirements at the time it commences operations, and if it thereafter maintains its admitted assets in excess of liabilities by at least the minimum capital and surplus required of a stock casualty insurer with accident and health powers. The Applicant meets the minimum capital requirements.

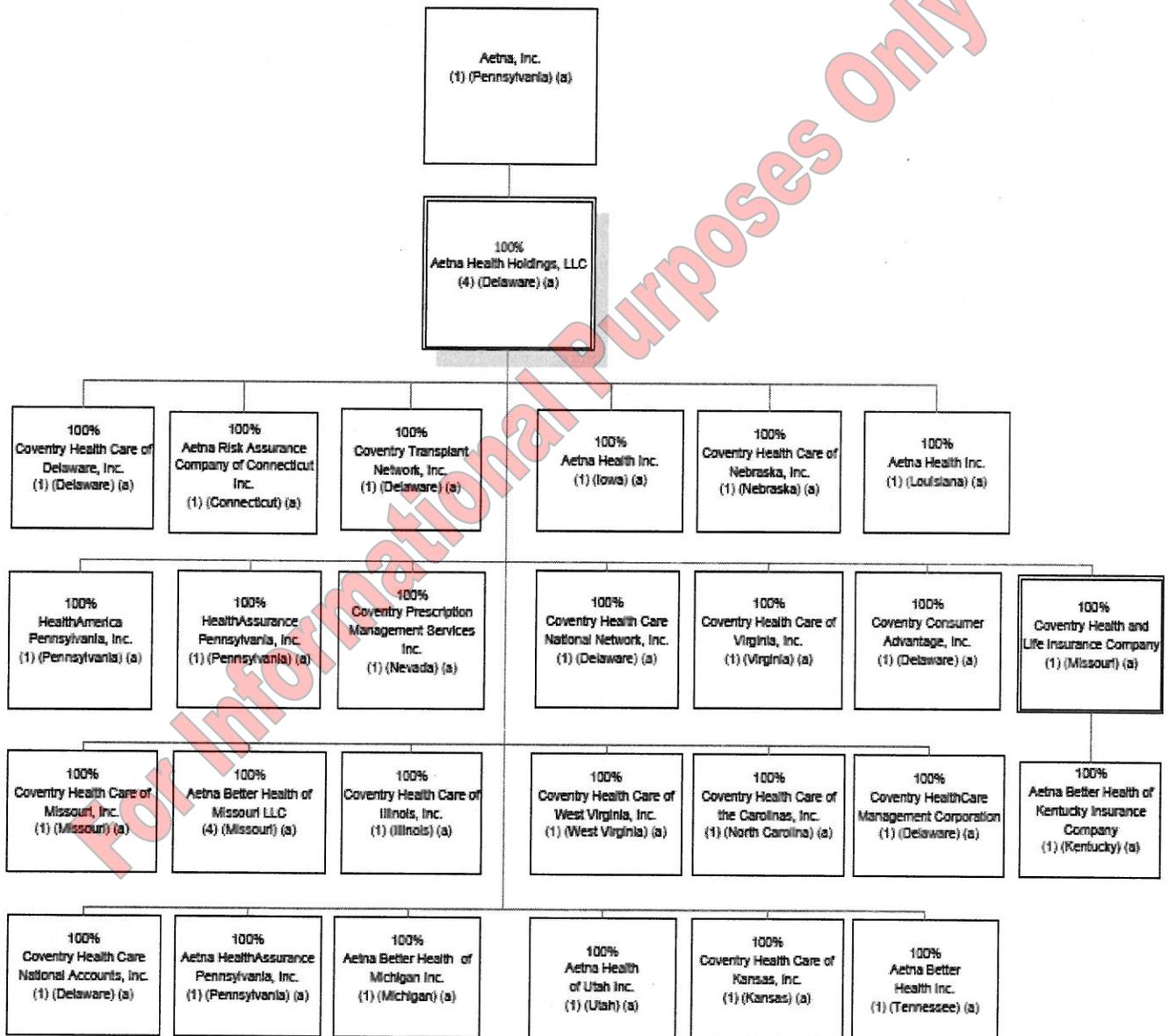
### **STOCKHOLDER**

One hundred percent of the Applicant's stock is owned by Aetna Health Holdings, LLC.

**INSURANCE HOLDING COMPANY SYSTEM**

The Applicant is a wholly-owned subsidiary of Aetna Health Holdings, LLC. Aetna Health Holdings, LLC is wholly owned by Aetna, Inc. Aetna, Inc. is a publicly traded company.

The organizational chart below depicts the relationship from Aetna, Inc., the ultimate controlling person of the holding company system, down to the Applicant. Following is an excerpt of the Aetna, Inc. holding company system organization chart and does not show all the entities within the Aetna, Inc. holding company system.



(1) Corporation (a) Consolidated  
(4) Limited Liability Company

## BOARD OF DIRECTORS

On June 12, 2015, the Incorporator issued a Statement of Incorporator appointing two directors to serve as members of the Board of Directors of the Applicant, until their successors are appointed.

| <b>Name and Address</b>                    | <b>Principal Occupation</b>   |
|--|---|
| Laurie Ann Brubaker<br>Phoenixville, PA    | President and Chief Executive Officer<br>Aetna HealthAssurance Pennsylvania, Inc. |
| Gregory Stephen Martino<br>Hummelstown, PA | Vice President<br>Aetna HealthAssurance Pennsylvania, Inc.                        |

The By-laws of the Applicant provide that the number of Board members shall be not less than two. The President of the Company is to be a director. Each director shall serve until the next annual meeting. A majority of directors constitutes a quorum. The Board may designate from among its members one or more committees. As of the examination date, October 29, 2015, there were no committees established. The Applicant is in compliance with its By-laws.

## OFFICERS

On June 12, 2015, by written Consent in Lieu of Initial Meeting of the Board of Directors of the Applicant, it was resolved that the following persons be and hereby are elected to the offices set beside their respective names, each to serve in accordance with the By-laws until their respective successors are duly elected:

| <b>Name</b>                 | <b>Title</b>                          |
|-----------------------------|---------------------------------------|
| Laurie Ann Brubaker         | President and Chief Executive Officer |
| Elaine Rose Cofrancesco     | Vice President and Treasurer          |
| Edward Chung-I Lee          | Vice President and Secretary          |
| Kevin James Casey           | Senior Investment Officer             |
| Frank Ferris Chronister III | Corporate Controller                  |
| William Robert Jones        | Actuary                               |
| Gregory Stephen Martino     | Vice President                        |
| Jerry J. Bellizzi           | Vice President                        |

## CORPORATE RECORDS

### MINUTES

On June 12, 2015, by written Consent in Lieu of Initial Meeting of the Board of Directors, the By-laws and Articles of Incorporation were approved and adopted.

## **ARTICLES OF INCORPORATION**

Articles of Incorporation were filed with and accepted by the Department of State on June 3, 2015.

## **BY-LAWS**

The Applicant's By-laws were adopted and executed by written Consent in Lieu of Initial Meeting of the Board of Directors on June 12, 2015. There have been no other changes to the By-laws since the original approval of the By-laws.

## **SERVICE AND OPERATING AGREEMENTS**

As of the examination date, October 29, 2015, the Applicant is not a party to any service agreements. It is intended that the Applicant will enter into an administrative services agreement with an affiliate once the Applicant has received a Certificate of Authority from the Department.

## **REINSURANCE**

The Applicant is not a party to any reinsurance agreements.

## **TERRITORY AND PLAN OF OPERATION**

The Applicant is seeking to be licensed in the Commonwealth of Pennsylvania as a RANLI-PPO in every county within the Commonwealth of Pennsylvania.

## **ACCOUNTS AND RECORDS**

The Applicant's statutory home address will be 980 Jolly Road, Blue Bell, Pennsylvania 19422. The primary records of the Applicant will be maintained at 3721 Tecport Drive, Harrisburg, Pennsylvania 17106-7103 and the corporate minute records will be maintained at 151 Farmington Avenue, Hartford, Connecticut 06156.

## FINANCIAL STATEMENT

The financial condition of the Applicant is reflected in the following financial statement submitted by the Applicant:

### Statement of Assets, Liabilities, Surplus and Other Funds As of October 29, 2015:

|                                     |    |           |
|-------------------------------------|----|-----------|
| Cash                                | \$ | 5,000,000 |
| Due from affiliates                 | \$ | 1         |
| Admitted Assets                     | \$ | 5,000,001 |
|                                     |    | <hr/>     |
| Total Liabilities                   | \$ | 0         |
|                                     |    | <hr/>     |
| Capital Common Stock                | \$ | 1         |
| Gross Paid-in Capital Contributions | \$ | 5,000,000 |
| Surplus as regards to policyholders | \$ | 5,000,001 |
|                                     |    | <hr/>     |
| Totals (Liabilities and Surplus)    | \$ | 5,000,001 |
|                                     |    | <hr/>     |

## RECOMMENDATIONS

### ORGANIZATIONAL EXAMINATION

As a result of the organizational examination, it is recommended the Applicant be granted a Certificate of Authority.

**CONCLUSION**

As a result of this examination, the financial condition of Aetna HealthAssurance Pennsylvania, Inc., as of October 29, 2015, was determined to be as follows:

|                                  |                     |               |
|----------------------------------|---------------------|---------------|
| Admitted assets                  | <u>\$ 5,000,001</u> | <u>100.0%</u> |
| Liabilities                      | 0                   | 0.0%          |
| Surplus as regards policyholders | <u>\$ 5,000,001</u> | <u>100.0%</u> |
| Total liabilities and surplus    | <u>\$ 5,000,001</u> | <u>100.0%</u> |

This examination was conducted by Matthew Council, CFE.

Respectfully

Annette B. Szady, CPA  
Director, Bureau of Financial Examinations

David R. Evans, CFE  
Examination Manager

Matthew Council, CFE  
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies. Only include if a CFE is on the exam.

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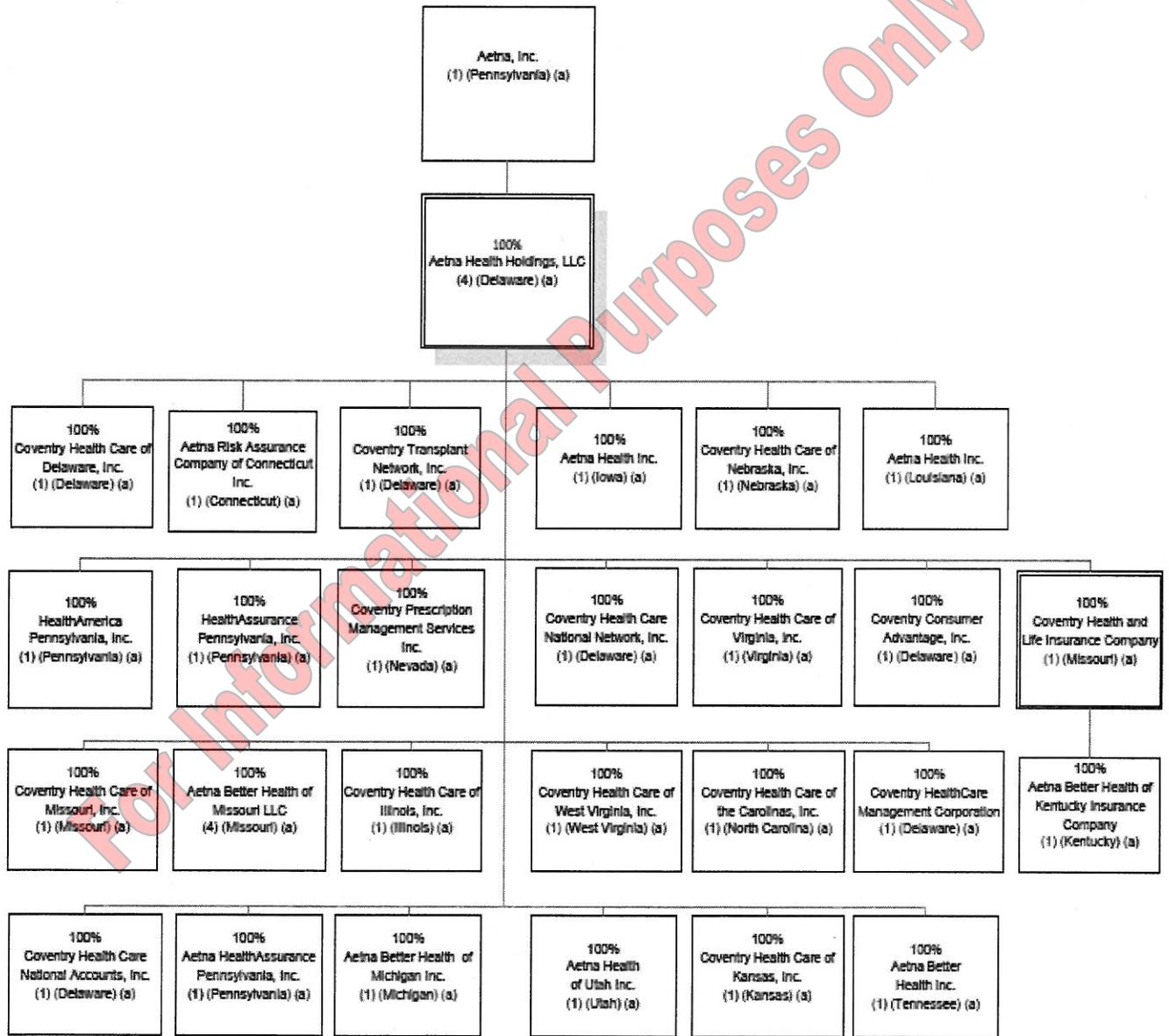
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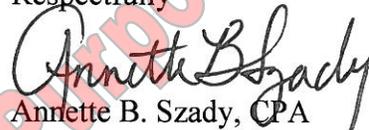
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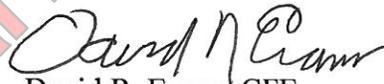
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