



PUBLIC PROTECTION CABINET

Steven L. Beshear
Governor

Department of Insurance
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Robert D. Vance
Secretary

Sharon P. Clark
Commissioner

July 7, 2011

Gerald W. Connor
Regional General Counsel
Aetna
8249 Forest Hills Blvd.
Dallas, TX 75218-4410

VIA Electronic Mail to ConnorG@aetna.com

Re: Withdrawal from the Individual and Small Group Markets in Kentucky

Dear Mr. Connor:

This letter is in response to your letter dated May 19, 2011 notifying the Department of Aetna's intent to withdraw from the individual and small group markets in Kentucky. For reference, a copy of your letter is attached. While we are disappointed with your decision, we understand that this is purely a business decision on Aetna's part. We also understand that Aetna will continue to maintain a presence in Kentucky in the large group market. You have estimated that Aetna currently has over 90,000 covered lives in Kentucky that will not be affected by this withdrawal. You have stated that Aetna will continue to offer conversion policies as required by Kentucky Law. From our discussions, it appears that approximately 1,630 Kentucky residents will be affected by your withdrawal. Withdrawal will take place over a period of approximately six months so that, by December 31, 2011, Aetna will have completely withdrawn from these markets. It is my understanding that Aetna has ceased offering new policies in these markets as of July 1, 2011.

Over the last several weeks, there have been numerous phone conversations among my staff and Aetna representatives, Bobbie Stefan and Elena Butkus, concerning the timetable and logistics of Aetna's withdrawal. Obviously, it is my desire that any adverse affects on Kentucky residents resulting from the withdrawal be kept to a minimum. Aetna has indicated that they share this goal.

After considering all of the information provided, Aetna's requests to nonrenew, cancel or discontinue all health benefit plans issued in the individual and small group markets by December 31, 2011 in accordance with KRS 304.17A-240(2)(d) is approved under the following conditions.

1. That Aetna comply with the notice provisions set forth in KRS 304.17A-240(3)(a) as applicable;
2. That, on or before August 1, 2011, Aetna notify and clearly advise all existing policyholders in these markets that Aetna will be cancelling any and all existing policies issued in the small group and individual markets no later than December 31, 2011;
3. That, on or before August 1, 2011, Aetna notify all existing policyholders in these markets that, instead of yearly renewal, they will have the right to extend their existing coverage until December 31, 2011, at the same premium as currently paid or until replacement coverage is purchased;
4. That, with respect to policies issued in the individual market, Aetna provide the same extension of benefits as is required in the group market under KRS 304.18-126 and that Aetna fully explain this added benefit in the notice required under paragraph 3;
5. That, by July 15, 2011, Aetna submits to the Department sample copies of the notices required under Paragraphs 2 and 3; and
6. That, the notices required under Paragraphs (2) and (3) contain a link to the Department of Insurance website for a listing of companies offering individual and group coverage in Kentucky (<http://insurance.ky.gov/Documents/IndHealthList070611.pdf> for individual and <http://insurance.ky.gov/Documents/GroupHealthList070611.pdf> for group)

If you should have any questions about this matter please contact William Nold at (502) 564-6088.

Sincerely,



Sharon P. Clark
Commissioner

Enc.

CC: Sharron Burton
William J Nold



Aetna
8249 Forest Hills Blvd.
Dallas, TX 75218-4410

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SENT VIA E-MAIL

May 19, 2011

Sharon Clark, Commissioner
Kentucky Department of Insurance
P.O. Box 517
215 W. Main Street
Frankfort, KY 40602
Sharon.clark@ky.gov

RE: Withdrawal from the Individual and Small Group Markets

Dear Commissioner Clark:

Aetna Life Insurance Company and Aetna Health Inc. (collectively, "Aetna") give this notice of their intent to withdraw from the individual and small group markets in Kentucky. Specifically, we are ceasing to offer new coverage by, and terminating existing coverage by,

- Individual and small group health benefit plans issued by Aetna Life Insurance Company, and
- Small group health benefit plans issued by Aetna Health Inc. Aetna Health Inc. does not market or sell individual HMO contracts in Kentucky.

Our withdrawal in these markets does not include conversion policies and does not include association group coverage of individual association members.

Aetna has a total number of 92,411 covered lives in Kentucky. We estimate that we currently have 1,172 covered lives in the individual market and 686 in the small group market. Following withdrawal Aetna will have approximately 90,553 lives that we would continue to cover in Kentucky, which is 98% of our current total membership.

We will continue to market and provide health benefit plans to customers in the large group market. Our withdrawal will not impact the quality of services we provide to them in Kentucky.

Subject to your review, we intend to proceed in the following manner.

Timeline For Withdrawal.

- A. May 19, 2011: Notice to the Department that Aetna intends to withdraw from the individual and small group markets in Kentucky.
- B. July 1, 2011: Notice to plan sponsors of and beneficiaries of health benefit plans and their agents of our withdrawing from the individual and small group markets.
- C. July 1, 2011: Aetna Life Insurance Company will cease issuing new health benefit plans in the individual market.
- D. October 1, 2011: Aetna will cease offering new health benefit plans in the small group market
- E. January 1, 2012: Aetna will terminate all health benefit plan.

Dependent Coverage Changes; Extension of Coverage.

If an existing health benefit plan includes dependent coverage, beneficiaries will have the right to add and drop dependents consistent with the health benefit plan until the plan ends. In addition, we recognize our obligation under Kentucky law to provide extension of coverage following termination of the health benefit plan under certain circumstances.

The decision to stop offering health benefit plans is never easy. We look at a number of factors before making such an important decision:

- Are we able to provide affordable plans?
- Are we providing plans that give consumers the choices they need?
- Are we able to compete with other insurers?

After answering these questions, we believe the decision to stop offering individual and small group health benefit plans in Kentucky is in keeping with the best interests of our customers, as we believe there are insurers and HMOs who can better meet their needs.

We are continually assessing our ability to compete across the country and will look at opportunities to re-enter markets in the future if we believe we can provide affordable and competitive products that provide more options to consumers.

Sharon Clark, Commissioner
May 19, 2011
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Please call or e-mail Bobbie Stefan (StefanB@aetna.com) with any questions or if you wish to discuss our withdrawal plan. We look forward to continuing to work with you both on this withdrawal plan and our intent to maintain a substantive presence in the Kentucky large group market.

Very truly yours,

Gerald W. Connor

Gerald W. Connor

CC: William Nold, William.nold@ky.gov
Elena Butkus
Bobbie Stefan
Jay Timm