



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of **Aetna Insurance Company of Connecticut** (the "Company") as of December 31, 2020, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

#### **TO WIT:**

1. I, Andrew N. Mais, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On April 28, 2022, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On May 26, 2022, the Company notified the Insurance Department of certain responses and comments on certain items contained in the Report.
6. Following review of the Report, it was deemed necessary and appropriate to modify the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.



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NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

*"The secretary of the board of directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the commissioner, in writing, that a copy of the report or summary has been provided to each director."*

Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Division Director of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

*"Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report or summary to the entity's board of directors or similar governing body at a regular or special meeting."*

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 2<sup>nd</sup> day of June, 2022.



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Andrew N. Mais  
Insurance Commissioner

Exhibit A

**EXAMINATION REPORT**

**OF THE**

**AETNA INSURANCE COMPANY OF CONNECTICUT  
(NAIC #36153)**

**AS OF**

**DECEMBER 31, 2020**

**BY THE**

**CONNECTICUT INSURANCE DEPARTMENT**



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April 28 , 2022

The Honorable Andrew N. Mais  
Insurance Commissioner  
State of Connecticut Insurance Department  
153 Market Street, 6<sup>th</sup> Floor  
Hartford, CT 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial Examination of the condition and affairs of:

**AETNA INSURANCE COMPANY OF CONNECTICUT**

(hereinafter referred to as the Company or AICC), a capital stock corporation incorporated under the laws of the State of Connecticut and having its statutory home office and main administrative office located at 151 Farmington Avenue, Hartford, CT. The report of such examination is submitted herewith.

**SCOPE OF EXAMINATION**

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2015. The current examination, which covers the subsequent five-year period through December 31, 2020, was conducted virtually.

The current examination was conducted as part of a multi-state examination, in which the Department served as the lead state. As the lead state, the Department coordinated the examination of CVS Health Corporation (CVS Health) holding company comprised of fifty-nine (59) regulated entities domiciled in twenty-six (26) states (CVS Health Group). The coordinated examination not only provided information on each regulated entity individually but also provided a structure for regulators to understand and evaluate risks of CVS Health as a whole.

The other Connecticut-domiciled entities examined concurrently were: Aetna Life Insurance Company (ALIC); Aetna Health and Life Insurance Company (AHLIC); Aetna Health Inc. (a Connecticut corporation) (AHI); and Aetna Better Health Inc. (a Connecticut corporation) (ABH-CT).

## AETNA INSURANCE COMPANY OF CONNECTICUT

As part of the examination planning procedures, the Department reviewed the following materials from 2016 through 2020:

- Board of Director (Board) minutes and other committee minutes through the latest 2021 minutes;
- Statutory audit reports completed by the Company's independent certified public accountants, Ernst & Young LLP (E&Y);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;
- Documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002;
- Annual Statements filed with the Department; and
- Reports of the Internal Audit Department.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, all of which indicated no material concerns with respect to financial condition or regulatory compliance.

Work papers prepared by E&Y, as of December 31, 2020, in connection with its annual audits, were reviewed and relied upon to the extent deemed appropriate.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurers surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the Company.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

# AETNA INSURANCE COMPANY OF CONNECTICUT

## HISTORY

The Company, originally named Aetna Casualty Company, was issued a Certificate of Incorporation by the State of Connecticut's Secretary of State on January 3, 1990. It was formed pursuant to Section 33-286 of the CGS. In accordance with this section, the Company was formed by certificate of formation issued by the Insurance Commissioner, rather than by Special Act of the State Legislature. The Company changed its name to Aetna Insurance Company of Connecticut, effective May 24, 1996.

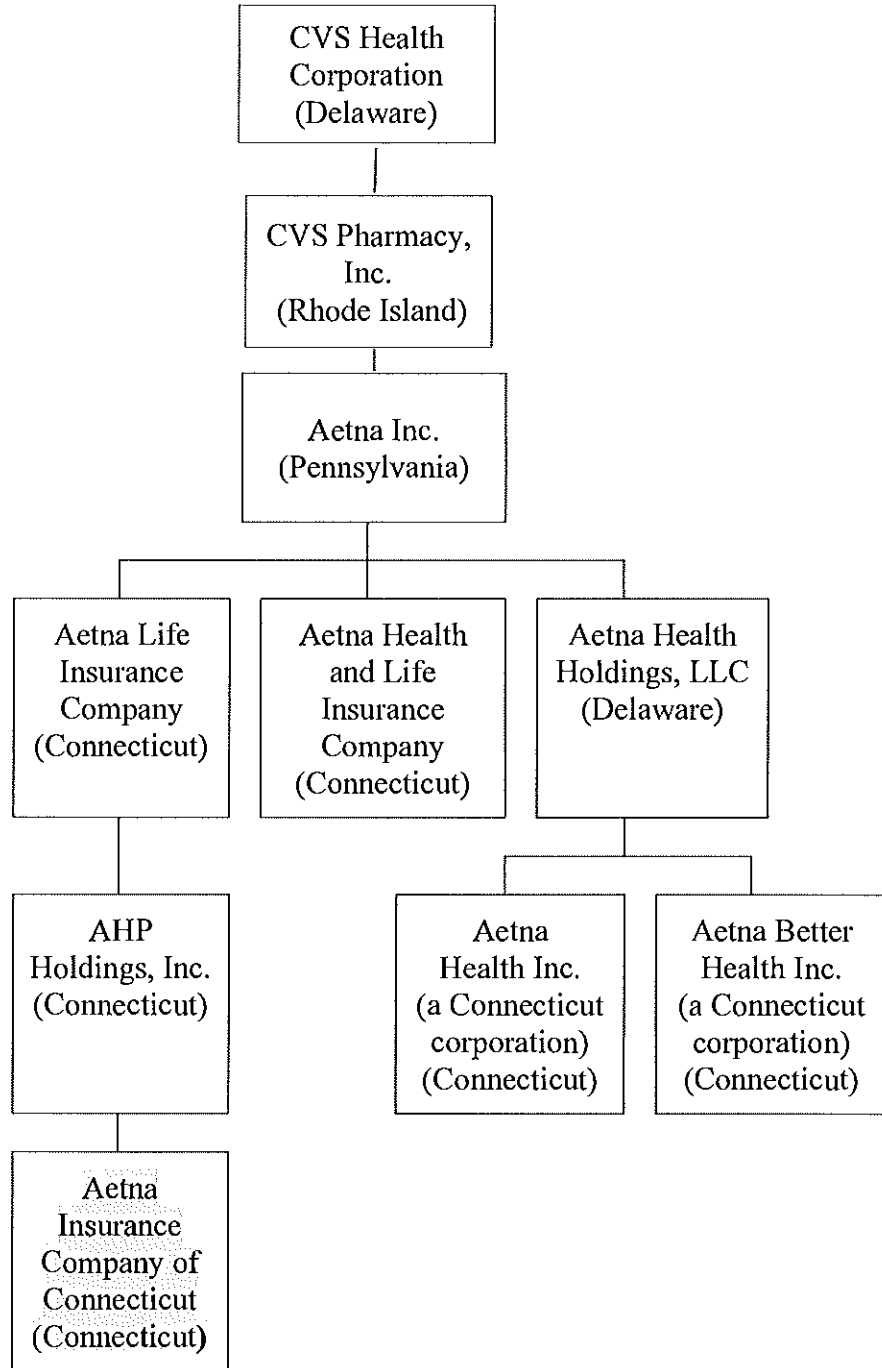
The Company is a direct, wholly-owned subsidiary of AHP Holdings, Inc., (AHP) and an indirect, wholly-owned subsidiary of ALIC, whose ultimate parent is CVS Health. On November 28, 2018, CVS Health acquired Aetna Inc. and on that date became the Company's ultimate parent.

The Company began underwriting pet insurance business (reported as inland marine) in 2008, in conjunction with an exclusive relationship established with Pets Best Insurance Service, LLC (Pets Best), an Idaho limited liability company. In 2011, the Company notified Pets Best of its intention to terminate this exclusive relationship. As a result, the Company's pet insurance business was in run-off and the last policy expired on the fourth quarter of 2014.

AETNA INSURANCE COMPANY OF CONNECTICUT

ORGANIZATIONAL CHART

The following is a partial organizational chart that identifies the relationship of the Company and its parent and affiliates as of December 31, 2020:





AETNA INSURANCE COMPANY OF CONNECTICUT

MANAGEMENT AND CONTROL

The bylaws of the Company require the annual meeting of the shareholders for the election of directors and the transaction of such other business should be held each year on such date and such time, within or without the State of Connecticut, as may be determined by the Board.

Special meetings of the shareholders may be called at any time by the Board or the president, any vice president, or the secretary and shall be called by the president or the secretary at the written request of any shareholder or shareholders owning at least ten percent (10%) of the outstanding shares entitled to vote.

At all meetings of shareholders, the shareholders holding a majority of the total number of shares shall constitute a quorum.

The number of directors, which shall constitute the entire Board, shall be fixed from time to time by resolution of either the Board or shareholders. Each director shall hold office until the annual meeting of the shareholders next succeeding his election, and until his successor is elected and qualified, or until his earlier death, resignation or removal.

Regular meetings of the Board may provide by resolution for the holding of regular meetings of the Board and may fix the time and place thereof.

Special meetings of the Board shall be held whenever called by the president, any vice president, the secretary or any shareholder owning at least ten percent (10%) of the outstanding shares entitled to vote, or by one of the directors, at such time and place as may be specified in the respective notices or waivers of notice thereof.

At all meetings of the Board, the presence of a majority of the entire Board shall be necessary to constitute a quorum for the transaction of business.

The Board may, by resolution or resolutions passed by a majority of the entire Board, designate an executive committee and such other committees, with such powers and authority as may be provided in such resolution.

Members of the Board serving the Company as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Edward Chung-I Lee	President and Secretary, Aetna Insurance Company of Connecticut Executive Director, Senior Counsel, CVS Health

Officers serving the Company as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Edward Chung-I Lee	President and Secretary
Tracy Louise Smith	Vice President and Treasurer

## AETNA INSURANCE COMPANY OF CONNECTICUT

Robert Joseph Parslow	Principal Financial Officer and Controller
Peter Keller	Assistant Controller
Brian James Lane	Assistant Controller
Whitney Dorothy Lavoie	Assistant Controller
Timothy James Olson	Assistant Controller

### RELATED PARTY AGREEMENT

#### Consolidated Tax Allocation Agreement

Effective January 1, 2019, ALIC, AICC, AHLIC, AHI-CT and Aetna Risk Assurance Company of Connecticut Inc. terminated its prior tax sharing agreement with Aetna Inc. Effective January 1, 2019, AICC entered into a written tax sharing agreement with CVS Health Corporation. Effective January 1, 2019, AICC also entered into a written tax sharing agreement with its immediate parent, AHP Holdings, Inc. for the sharing of federal taxes.

Effective January 1, 2019, the Company simultaneously entered into an addendum to the Tax Sharing Agreement which modifies certain terms of the Tax Sharing Agreement in accordance with the Department regulations.

### INSURANCE COVERAGE

The Company is covered by a fidelity bond maintained by CVS Health for itself and other affiliates and subsidiaries. The aggregate limit of liability provides fidelity coverage above the prescribed minimum set forth by the NAIC's schedule of suggested minimum amounts in the Handbook. In addition to the fidelity insurance policy, CVS Health maintains various other types of insurance coverages.

### TERRITORY AND PLAN OF OPERATIONS

The Company is licensed to transact business in all fifty states and the District of Columbia. The Company has no active business.

### REINSURANCE

The Company assumed group auto business from the Travelers Casualty & Surety Company of America that is in run off.

### ACCOUNTS AND RECORDS

The Company uses the Oracle Integrated Financial System, CVS Health Group's general ledger system, to process and maintain its financial accounting records.

The Company uses Sovos' Statutory Reporting software, formerly known as WingPlus, to prepare its statutory statements. Financial Statement and supplemental data are imported

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into the Statutory Reporting software using formatted source information derived from the Oracle ledger and certain other non-ledger sources.

General ledger account balances are reconciled and traced to appropriate asset, liability, and income statement lines of the Annual Statement. Adjusting entries are posted on a quarterly basis.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2020. No adjustments were made to surplus as a result of the examination.

ASSETS

Account Description	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$5,570,722		\$5,570,722
Cash, cash equivalents and short-term investments	88,656		88,656
Investment income due and accrued	12,298		12,298
Net deferred tax asset	2,457		2,457
Aggregate write-ins for other than invested assets	6,297		6,297
Totals	<u>\$5,680,430</u>		<u>\$5,680,430</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Losses	\$108,681
Current federal and foreign income taxes	26,798
Payable to parent, subsidiaries and affiliates	2,532
Total liabilities	138,011
Common capital stock	3,000,000
Gross paid in and contributed surplus	2,394,785
Unassigned funds (surplus)	147,634
Surplus as regards policyholders	5,542,419
Total liabilities and surplus	<u>\$5,680,430</u>

AETNA INSURANCE COMPANY OF CONNECTICUT

STATEMENT OF INCOME

Premiums earned	\$0
Losses incurred	(29,474)
Other underwriting expenses incurred	34,882
Total underwriting deductions	5,408
Net underwriting gain (loss)	(5,408)
Net investment income earned	294,821
Net realized capital gains (losses)	134,888
Net investment gain	429,709
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	424,301
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	424,301
Federal and foreign income taxes incurred	50,262
Net income	<u>\$374,039</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, prior year	\$16,658,644
Net income	374,039
Change in net unrealized capital gains	2,764
Change in net deferred income tax	(8,404)
Change in non-admitted assets	15,376
Paid in surplus adjustments	(9,341,365)
Dividends to stockholders	(2,158,635)
Change in surplus as regards policyholders for the year	(11,116,225)
Surplus as regards policyholders, December 31, current year	<u>\$5,542,419</u>

CAPITAL AND SURPLUS

\$5,542,419

The reconciliation of surplus for the period under examination, was as follows:

Surplus, December 31, 2015	\$15,301,437
Net income	\$1,716,890
Changed in net deferred income tax	\$24,092
Surplus adjustment: Paid in	(\$9,341,365)
Dividends to stockholders	(\$2,158,635)
Surplus, December 31, 2020	<u>\$5,542,419</u>

## AETNA INSURANCE COMPANY OF CONNECTICUT

Decreased in surplus primarily caused by a 2020 return of capital of approximately \$9.3 million from contributed surplus, and an extraordinary dividend of approximately \$2.2 million from unassigned funds, approved by the Department on November 23, 2020.

### SUBSEQUENT EVENTS

- On March 12, 2021, AICC received \$500,000 as a capital contribution from AHP.
- In February 2021, Karen S. Lynch was promoted to President and Chief Executive Officer of CVS Health.
- In May 2021, Shawn Guertin was hired as Executive Vice President and Chief Financial Officer of CVS Health.
- The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination team noted no significant financial impact to the Company as result of COVID-19. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position including its Pandemic Plan. The Department will continue to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

### CONCLUSION

The results of this examination disclosed that, as of December 31, 2020, the Company had admitted assets of \$5,680,430, liabilities of \$138,011, and capital and surplus of \$5,542,419. During the period under examination, admitted assets decreased \$10,168,904, liabilities decreased \$409,886, and capital and surplus decreased \$9,759,018.

AETNA INSURANCE COMPANY OF CONNECTICUT

SIGNATURE

In addition to the undersigned, the following members of the State of Connecticut Insurance Department participated in the examination: Sharon Altieri, CPA; William Arfanis, CFE; Cecilia Arnold, CFE; Edna Bosley; Susan Cotugno, CPA; Michael Daniels, CFE; Michael Estabrook, CFE; Daniel Levine, AFE, CPA; Ellen McCarthy, AFE, Joseph Marcantonio, AFE, CISA, AES; and Kenneth Roulier, AFE, AES, CISA.

I, Jeffrey Prospero, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2020, to the best of my information, knowledge and belief.

Respectfully submitted,




Jeffrey Prospero, CFE  
Examiner-In-Charge  
State of Connecticut  
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me,   
Notary Public on this 26 day of April, 2022.

  
Notary Public

My Commission Expires June 30, 2026