REPORT ON EXAMINATION

OF

AETNA HEALTH INSURANCE COMPANY OF NEW YORK

AS OF

DECEMBER 31, 2015

DATE OF REPORT	**OCTOBER 25, 2017**
EXAMINER	**DAVID CRANDALL, CFE**

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Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

October 25, 2017

Honorable Maria T. Vullo
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 31422, dated February 4, 2016, attached hereto, I have made an examination into the condition and affairs of Aetna Health Insurance Company of New York, an accident and health insurance company licensed pursuant to the provisions of Article 42 of the New York Insurance Law, as of December 31, 2015, and respectfully submit the following report thereon.

The examination was conducted at the administrative office of Aetna Health Insurance Company of New York, located at 151 Farmington Avenue, Hartford, Connecticut.

Wherever the designations ñAHICò or the ñCompanyò appear herein, without qualification, they should be understood to indicate Aetna Health Insurance Company of New York.

Wherever the designations ñAetnaò or the ñParentò appear herein, without qualification, they should be understood to indicate Aetna Inc. the ultimate parent of the Company.

Wherever the designation ñAHIò appears herein, without qualification, it should be understood to indicate Aetna Health Inc. (A New York Corporation), a health maintenance organization certified pursuant to Article 44 of the New York State Public Health Law, and an affiliate of AHIC.

Wherever the designation the ñDepartmentò appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. SCOPE OF THE EXAMINATION

The previous examination was conducted as of December 31, 2010. This examination was a financial examination as defined in the National Association of Insurance Commissioners (ñNAICò) *Financial Condition Examiners Handbook, 2016 Edition* (the ñHandbookò), and it covered the five-year period from January 1, 2011 through December 31, 2015. The examination was conducted observing the guidelines and procedures in the Handbook, and where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2015 were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examinerôs assessment of risk in the Companyôs operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the Companyôs current financial condition, as well as to identify prospective risks that may threaten the future solvency of Aetna Health Insurance Company of New York.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined managementôs compliance with the Departmentôs statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and annual statement instructions.

Information concerning the Companyǿs organizational structure, business approach and control environment was utilized to develop the examination approach. The examination evaluated the Companyǿs risks and management activities in accordance with the NAICǿs nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated the Companyǿs critical risk categories in accordance with the NAICǿs ten critical risk categories. These categories are as follows:

- Valuation/Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness/Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy/Quality
- Reserve Data
- Reserve Adequacy
- Related Party/Holding Company Considerations
- Capital Management

The Company was audited annually, for the years 2011 through 2015, by the accounting firm of KPMG, LLP. The Company received an unmodified opinion in each of those years. Certain audit work papers of KPMG were reviewed and relied upon in conjunction with this examination. The Company has an internal audit department which has been given the task of assessing AHICôs internal control structure. A review was also made of the Companyôs Enterprise Risk Management program and Information Systems.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules, or which require explanation or description.

A review was also made to ascertain what action was taken by the Company with regard to comments contained in the prior report on examination.

Members of AHIC also have contracts with Aetna Health Inc. under the ñin-networkò benefits of their contracts.

A concurrent examination regarding the financial condition of Aetna Health Inc. was performed as of December 31, 2015, and a separate financial report on examination was issued thereon.

A separate market conduct examination was conducted as of December 31, 2015 to review the manner in which Aetna Health Inc., Aetna Health Insurance Company of New York and Aetna Life Insurance Company conducted their business practices and fulfilled their contractual obligations to policyholders and claimants. A separate market conduct report for these entities will be issued thereon.

2. DESCRIPTION OF THE COMPANY

Aetna Health Insurance Company of New York is a wholly-owned subsidiary of Aetna Inc., a publicly traded company. AHICôs business is composed of group health insurance business primarily related to the sale of the Companyôs non-referred Quality Point-of-Service (ñQPOSò) product and small group health insurance business related to the sale of AHIôs New York Neighborhood Network product. QPOS is a dual contract point-of-service product where the in-network benefits are covered by Aetna Health Inc. (a New York corporation) and the out-of-network benefits are covered by AHIC.

The Company was incorporated under the laws of the State of New York on April 19, 1985, as Adirondack Life Insurance Company (ñAdirondackò) and was licensed to transact an insurance business in the State of New York on August 29, 1986.

On July 31, 1990, U.S. Healthcare Inc. (ñU.S. Healthcareò), a Pennsylvania corporation and the Companyôs parent at that time, purchased 100% of the common stock of Adirondack from Pacific Western Holding Company. On October 26, 1990, the Company amended its charter to change its name to U.S. Health Insurance Company (a New York Corporation) and to remove its life and annuity writing authority. The Company was licensed, effective October 26, 1990, and authorized to write accident and health insurance, as defined in Section 1113(a)(3) of the New York Insurance Law.

On July 19, 1996, U.S. Healthcare merged with Aetna Life and Casualty Company, pursuant to an Agreement and Plan of Merger dated March 30, 1996. Aetna Inc., a Connecticut corporation, was incorporated on March 25, 1996, for the purpose of effectuating the merger and became the sole owner of the two companies, effective July 19, 1996. After the merger, U.S. Healthcare, Inc. became a subsidiary of Aetna Inc. and its name was changed to Aetna U.S. Healthcare, Inc. (ñAetna U.S. Healthcareò). Aetna U.S. Healthcare, the parent company of numerous health maintenance organizations (ñHMOò), was one of the core businesses of Aetna Inc. The other businesses were insurance and financial services, both domestic and international.

On December 13, 2000, Aetna Inc. sold its financial services and international businesses to ING Groep N.V. and at the same time spun off its health care business to shareholders. Concurrent with the spin-off, Aetna U.S. Healthcare, Inc. (a Pennsylvania corporation) became the ultimate parent company and was renamed Aetna Inc.

The Companyôs name was changed from U.S. Health Insurance Company to Aetna Health Insurance Company of New York, effective May 8, 2002. The Companyôs name change, as reflected in its charter, was approved by its board of directors and by the Department.

The Company, at December 31, 2010, had issued 200,000 shares of common stock, $10 par value, outstanding and issued to Aetna Inc. There was no change to this capital structure during the period under examination.

Aetna Health Inc. (a New York corporation) withdrew from New Yorkôs small and large group commercial markets pursuant to a withdrawal plan reviewed by the New York State Department of Financial Services and placed on file as of February 20, 2015. Large groups were non-renewed as of their renewal date on or after August 31, 2015, and small groups were non-renewed as of December 31, 2015.

A. Corporate Governance

Pursuant to the Companyôs charter and by-laws that were in effect during the period under examination, management of the Company is to be vested in a board of directors consisting of not less than thirteen or more than twenty-one members. Article III, Section 1 of the Companyôs by-laws states, in part:

> ñThe affairs and business of the Corporation shall be conducted and managed by a Board of Directors consisting of not less than thirteen or more than twenty-one directors, who shall hold office for the term of one year and until their successors are elected and qualifyé ò

On May 9, 2011, AHIC, as authorized by the unanimous written consent of its board of directors, in lieu of a meeting, and by the written consent of the sole shareholder, Aetna Inc., of all the shares of the corporation issued and outstanding and entitled to vote, amended Article IV of its Declaration and Certificate of Incorporation and Charter, to read as follows, in part:

> ñThe Board of Directors shall consist of not less than seven nor more than twelve members. Each director shall be at least eighteen years of age and at all times a majority shall be citizens and residents of the United States and not less than three shall be residents of this Stateé ò

As of December 31, 2015, the Companyôs board of directors consisted of the following members:

Name and Residence	Principal Business Affiliation
Elaine Rose Cofrancesco Tolland, Connecticut	Vice President and Treasurer, Aetna Inc.
Michael Sebastian Costa New York, New York	Network Market Head, Aetna Inc.
Terry Joseph Golash New York, New York	Medical Director, Aetna Inc.
William Robert Jones Cromwell, Connecticut	Actuary, Aetna Inc.
David Francis Kobus Port Washington, New York	Regional Head of Network, Aetna Inc.
Steven George Logan Chappaqua, New York	Chief Executive Officer and President, Aetna Health Inc.
Brian Kevin Madden Greenlawn, New York	Vice President, Aetna Inc.
Joseph Anthony Scibilia Norton, Massachusetts	Regional Vice President, Aetna Inc.

The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed. It was noted that board meetings were held on a quarterly basis and were well attended. The review revealed that management reviewed reports that were essential to the operations of the Company and that the Company was in compliance with the certification requirements of Department Circular Letter No. 9 (1999) - Adoption of Procedure Manuals.

At December 31, 2015, the principal officers of the Company were as follows:

Name	Title
Steven George Logan	President and Chief Executive Officer
Gregory Stephen Martino	Secretary
Dawn Marie Schoen	Principal Financial Officer and Controller
Elaine Rose Cofrancesco	Vice President and Treasurer
Steven Matthew Conte	Assistant Controller

B. Territory and Plan of Operation

As of December 31, 2015, the Company was licensed to write accident and health insurance as defined in Section 1113(a)(3) of the New York Insurance Law.

AHICõs business is comprised of premiums generated from the out-of-network component of the point-of-service (ñPOSò) product sold by its HMO affiliate, Aetna Health Inc., who covered the in-network component of the POS product and small group health insurance business related to the sale of AHIõs New York Neighborhood Network product.

The following schedule shows the number of members enrolled at the end of each year of the five-year examination period, and premiums earned by each line of business:

	2011	2012	2013	2014	2015
Enrollment	15,291	18,715	23,542	2,426	1,822
Line of Business					
HMO Large Group	$6,576,498	$2,852,910	$ 329,434	$ 1,010,426	$ 735,671
HMO Small Group	554,682	712,319	1,831,874	227,789	(249,919)
Total Premium	$7,131,180	$ 3,565,229	$2,161,308	$ 1,238,215	$ 485,752

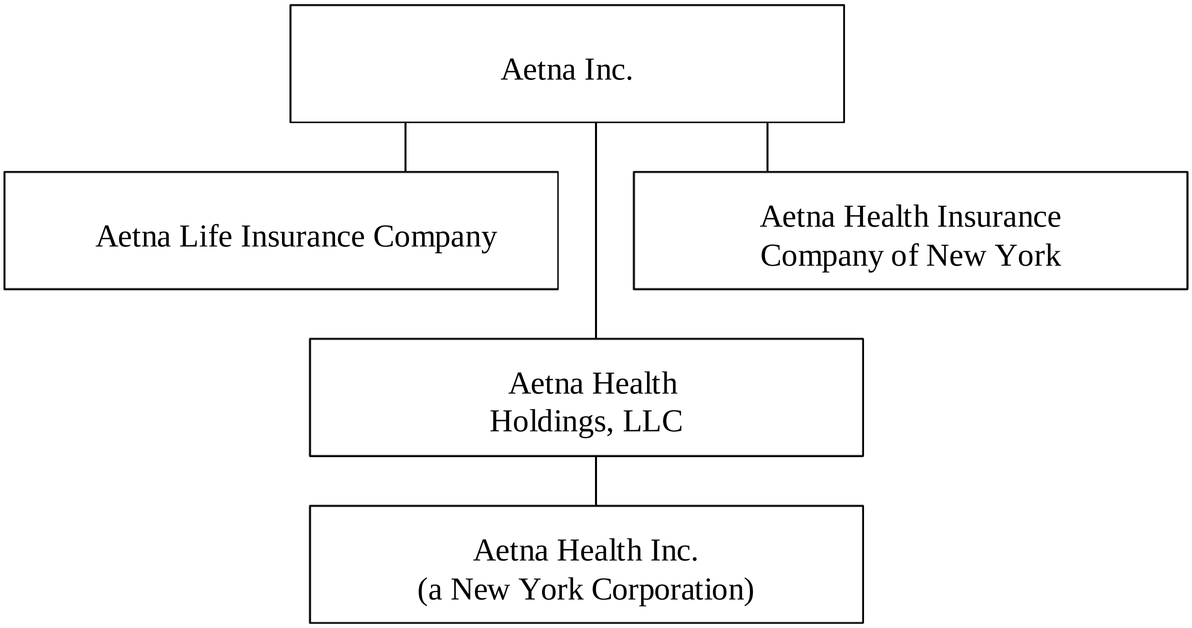
As of December 31, 2015 the total number of members reported by the Company was 1,822, which represented a decline of more than 16,000 members during the examination period. This trend resulted from the ongoing conversion of employer groups to lower cost products. Such a significant decline in membership played a role in the Companyǿs decision to exit the large and small group business during the examination period.

C. Reinsurance

AHIC did not assume or cede any reinsurance during the examination period.

D. Holding Company System

The following condensed organizational chart reflects the relationship between AHIC and significant entities in the Aetna Inc. holding company system as of December 31, 2015:



Aetna Inc. is the ultimate parent of all Aetna subsidiaries. Aetna Life Insurance Company, an affiliate of AHIC, offers multiple life and health insurance products throughout the United States, including New York State. Aetna Health Holdings, LLC acts as a holding company for the Parentôs various HMOs. Aetna Health Inc. is an HMO certified in New York State which offers members the option to purchase a point-of-service product offered jointly with AHIC. AHIC provided out-of-network benefits to these members of the HMO. With the withdrawal of Aetna Health Inc. from New York, AHIC lost the opportunity to continue coverage of the point-of-service product that it had offered jointly with Aetna Health Inc.

It was noted that Aetna Inc. provided a letter of capital support that provides for Aetna, Inc. to provide financial support, if necessary, to AHIC to satisfy capital requirements and remain in good standing with the Department. Aetna Inc. provided such letter of capital support to its external audit firm prior to filing such letter with the Department.

It is recommended that all future capital support agreements be filed for review with the Department prior to implementation.

The Company subsequently provided the document to the Department on July 7, 2016.

Inter-company Agreements

At December 31, 2015, AHIC was a party to six service agreements with members of its holding company system, as noted in the chart below.

	Description of Agreement	Contracting Party*	Effective Date
1.	Expense allocation agreement	Aetna Inc.	1/1/2005
2.	Personnel services and expense reimbursement agreement	Aetna Life Insurance Company	1/1/2005
3.	Expense allocation and rebate services agreement	AHM, LLC	1/1/2005
4.	Inter-company transfer agreement	Aetna Health Inc. (NY)	1/1/2000
5.	Tax sharing agreement	Aetna Inc.	1/1/2006
6.	Supplemental tax sharing and tax escrow agreement	Aetna Inc.	1/1/2006

*Reflects the current corporate name.

The following is a description of each of the agreements that were in place at the examination date. The agreements were non-disapproved by the Department pursuant to Article 15 of the New York Insurance Law.

1. Expense Allocation Agreement

Effective January 1, 2005, an Expense Allocation Agreement was entered into by the Company with Aetna Inc. The agreement, which was non-disapproved by the Department on April 5, 2005, obligated AHIC to pay Aetna Inc. the cost of providing administrative services incurred by Aetna Inc. on behalf of AHIC.

2. Personnel Services and Expense Reimbursement Agreement

Effective January 1, 2005, and non-disapproved by the Department on April 5, 2005, the Company entered into a Personnel Services and Expense Reimbursement Agreement with Aetna Life Insurance Company (ñALICò), a wholly-owned subsidiary of Aetna Inc. Under this Personnel Services Agreement, ALIC provides the Company with the personnel necessary to perform administrative services, including: accounting, payment of claims, quality assessment and pharmacy benefit management services related to the Companyôs commercial, Medicaid, Medicare and self-insured members. The Personnel Services Agreement obligates the Company to pay to ALIC the cost of providing such services.

3. Expense Allocation and Rebate Services Agreement

Effective January 1, 2005, and non-disapproved by the Department on April 5, 2005, the Company entered into an Expense Allocation and Rebate Services Agreement with Aetna Health Management, LLC (ñAHMò), a wholly-owned subsidiary of Aetna Inc. Under the terms of this agreement, AHM provides certain administrative services to the Company. The agreement also permits the Company to receive manufacturersô pharmacy rebates from AHM. The agreement obligates the Company to pay to AHM the cost of providing such services as outlined within the agreement.

4. Inter-company Transfer Agreement

The Company entered into an Inter-company Transfer Agreement, effective, January 1, 2000, with its affiliate, Aetna Health Inc. The agreement provides for POS premiums to be allocated equitably between the Company and AHI, based on the combined medical cost ratio for the in-network and out-of-network components of the POS products, in order to achieve identical cost ratios.

Funds representing premiums are transferred to or from the Company on a quarterly basis to effectuate the agreement. The agreement was submitted to the Department, as required, by Article 15 of the New York Insurance Law. The Department non-disapproved the agreement on January 1, 2000.

The current methodology for the allocation of administrative expenses to AHIC was based on the premium volume as it related to its affiliated company, AHI. AHIC provided claim services for out-of-network commercial claims serviced by AHI. The above methodology included all of AHI's expenses based on membership in the various product lines that AHI served. As an example, AHI provided services to its Medicare customers whereas AHIC did not write any Medicare business. As a result, the costs related to Medicare customers at AHI NY were allocated to AHIC in error.

It is recommended that the allocation methodology between AHI and AHIC be amended to ensure that costs allocated to AHIC only pertain to the products offered by AHIC. It is also recommended that all Medicare related costs allocated to AHIC in error be reimbursed to AHIC.

5. Tax Sharing Agreement

AHIC, together with several of its affiliates, filed a consolidated federal income tax return with the Company's parent, Aetna Inc. The consolidated return is permitted through this agreement between the Parent and other entities within the Aetna Inc. holding company system. The agreement, which was non-disapproved by the Department on January 1, 2006, stipulates that the taxes paid are determined as if each of the participating Aetna Inc. holding company entities filed their taxes separately.

6. Supplemental Tax Sharing and Tax Escrow Agreement

This agreement, which was non-disapproved by the Department on January 1, 2006, served to amend certain portions of the above described tax sharing agreement. It established certain limits to the Companyôs tax liability and asserts the Parentôs right to escrow tax payments under certain circumstances to assure the Parentôs right to recoup federal income taxes in the event of future net losses.

The Company did not pay any dividends to Aetna Inc. during the examination period.

The Companyôs Risk Based Capital ratio as of December 31, 2015 was 1,353% which was in excess of any necessary action levels.

E. Significant Operating Ratios

The following ratios have been computed as of December 31, 2015 based upon the results of this examination:

Ratio	2015
Net change in capital and surplus	.07%
Current liabilities to liquid assets & receivables	3,178.7%
Disenrollment ratio	-24.9%
Medical loss ratio	121.2%
Combined loss ratio	140.1%
Administrative expense ratio	18.9%

The above ratios fall within the benchmark ranges set forth in the Financial Analysis Solvency Tools (ñFASTò) scoring ratios of the NAIC, except Disenrollment.

> Disenrollment: The Companyôs computed ratio was -24.9%, which fell out of the range of the NAICôs benchmark of -10%. This trend resulted from the ongoing conversion by employer groups to lower cost products, which resulted in the Company withdrawing from both the small and large group HMO plans.

The underwriting ratios presented below are on an earned-incurred basis and encompass the five-year period covered by this examination:

	Amount	Ratio
Medical/Hospital expenses	$ 11,260,237	77.2%
Claims adjustment expenses	116,039	0.8%
Cost containment expenses	56,089	0.4%
Administrative expenses	1,719,014	11.8%
Increase in reserves for life and accident and health contracts	(48,789)	(0.3)%
Net underwriting gain	1,479,094	10.1%
Premiums earned	$ 14,581,684	100.0%

F. Accounts and Records

Certain errors were noted with regard to the Companyôs reporting of supplemental compensation to the Department in 2015. Amounts reported on Schedule G were erroneous for two officers. In addition, the amounts reported as allocated to the respective companies were incorrect. One companyôs report indicated 100% of the officersô salary while the other company allocated 0%. Neither of these allocations were correctly reported.

It is recommended that the Company review its statutory reporting of compensation processes and report accurate, reconciled amounts within its filed annual statements.

G. Medical Loss Ratio

The Affordable Care Act requires insurers to spend a minimum percentage of premium dollars on medical services and activities designed to improve healthcare quality and submit a medical loss ratio (ñMLRò) report to present this information.

As part of the coordinated examination of the Aetna Inc. holding company group, Aetna's processes and controls designed to mitigate specific risks associated with MLR reporting were reviewed and tested. No material exceptions were identified.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and surplus as of December 31, 2015 as contained in the Companyôs 2015 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of the years under review.

The firm, KPMG, LLP was retained by the Company to audit the combined statutory basis statements of financial position as of December 31st of each year in the examination period and the related statutory basis statements of operations, surplus, and cash flows for the year then ended.

KPMG, LLP concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding yearsô annual statements with no discrepancies noted.

A. Balance Sheet

Assets

Bonds	$ 8,131,527
Cash and cash equivalents	2,254,424
Short-term investments	0
Investment income due and accrued	18,659
Uncollected premiums	52,902
Net deferred tax asset	0
Receivables from parent and affiliates	15,684
§206 Assessment receivable	0
Prepaid premium taxes	20,542
Total assets	$ 10,493,738

Liabilities

Claims unpaid	$ 74,107
Unpaid claim adjustment expenses	1,598
Aggregate health policy reserves	0
Aggregate health claim reserves	1,070
General expenses due or accrued	72,113
Current federal income tax payable and interest thereon	39,340
Net deferred tax liability	4,151
Amounts due to parent, subsidiaries and affiliates	136,610
Total liabilities	$ 328,989
Common capital stock	$ 2,000,000
Gross paid in and contributed surplus	4,459,702
Unassigned funds (surplus)	3,695,047
Aggregate write-in for special surplus funds	10,000
Total capital and surplus	10,164,749
Total liabilities, capital and surplus	$ 10,493,738

Note: The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the Company through tax year 2015. The examiner is unaware of any potential exposure of the Company to any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Capital and Surplus

The Companyǿs capital and surplus increased by $1,246,163 during the five-year examination period, January 1, 2011 through December 31, 2015, detailed as follows:

Revenue		
Net premium income		$ 14,581,684
Hospital and Medical Expenses		
Total hospital and medical expenses	$11,260,237	
Administrative Expenses		
Claims adjustment expenses	172,128	
General administrative expenses	1,719,014	
Increase in reserve for life accident and health contracts	(48,789)	
Total underwriting expenses		13,102,590
Net underwriting gain		$ 1,479,094
Net investment income earned	746,904	
Net realized capital losses	(200,760)	
Net investment gain		546,144
Aggregate write-ins for other expenses		(3,414)
Net income (loss) before federal income taxes		$ 2,021,824
Federal income taxes incurred		(886,955)
Net income		$ 1,134,869

Change in Capital and Surplus

	Gains in Surplus	Losses in Surplus	
Capital and surplus, per report on examination, as of December 31, 2010			$ 8,918,586
Net income	$ 1,134,869		
Change in net deferred income tax		$ (38,969)	
Change in non-admitted assets	2,677		
Dividends to stockholders			
Aggregate write-ins for gains in surplus	147,586		
Net increase in capital and surplus			1,246,163
Capital and surplus, per report on examination, as of December 31, 2015			$ 10,164,749

4. SUBSEQUENT EVENTS

The New York State Department of Health amended the Certificate of Authority (ñCOAò) for Aetna Health, Inc. to allow for AHIôs withdrawal from the New York commercial health insurance market effective October 1, 2016. The amended COA also included a ban on the sale of commercial products in the state for a 5-year period from October 1, 2016 ï September 30, 2021 and authorized the continued sale of Medicare Advantage products.

By letter dated March 24, 2016, Aetna Inc. (ultimate parent) confirmed that Aetna Inc. will provide financial support to Aetna Health Insurance Company of New York sufficient for AHIC to satisfy capital requirements and remain in good standing with the Department. The letter will remain in effect from the date of the letter through December 31, 2017.

As of the date of this report, the Department continued to monitor AHICôs financial position. As of December 31, 2016, AHIC reported capital and surplus in the amount of $10,174,175 with an RBC ratio of 1,354%.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination, as of December 31, 2010, contained the following eight (8) comments and recommendations (page number refers to the prior report):

ITEM NO.		PAGE NO.
	Corporate Governance	
1.	It is recommended that the Company comply with Article III, Section 1 of its by-laws by ensuring that the board is composed of the requisite number of directors.	7
	The Company has complied with this recommendation.	
2.	It is recommended that the Company record the legal names of its board members in the board of directorsô minutes.	9
	The Company has complied with this recommendation.	
3.	It is recommended that board members who do not fulfill their fiduciary responsibility to the Company by attending the majority of board meetings, resign or be replaced by the Company	10
	The Company has complied with this recommendation.	
4.	It is recommended that the Company comply with Article III, Section 3 of its by-laws, by ensuring that it convenes the requisite number of board of directorsô meetings.	10
	The Company has complied with this recommendation.	
.	Enterprise Risk Management (ñERMò)	
5.	It is recommended that historic records of ERM dashboards be maintained to facilitate monitoring of risk management performance.	19
	The Company has complied with this recommendation.	

ITEM NO.		PAGE NO.
	Accounts and Records	
6.	It is recommended that the Company receive an appropriate portion of any HCRA audit settlement expense and related liability from the HMO and report on its financial statements all assessments and surcharges in accordance with the Annual Statement instructions of the National Association of Insurance Commissioners (ñNAICò). *The Company has complied with this recommendation.*	25
7.	It is recommended that the Company accurately disclose the HCRA assessment expense and the related liability in the notes to its filed annual statements, in accordance with the Annual Statement Instructions of the National Association of Insurance Commissioners. *The Company has complied with this recommendation.*	25
8.	It is recommended that the Company modify the provider identification process to accurately reflect all providers subject to New York HCRA surcharge. *The Company has complied with this recommendation.*	26

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Intercompany Agreements	
	It is recommended that all future capital support agreements be filed for review with the Department prior to implementation.	13
B.	Intercompany Expense Allocations	
	It is recommended that the allocation methodology between AHI and AHIC be amended to ensure that costs allocated to AHIC only pertain to the products offered by AHIC. It is also recommended that all Medicare related costs allocated to AHIC in error be reimbursed to AHIC.	15
C.	Statutory Filings	
	It is recommended that the Company review its statutory reporting of compensation processes and report accurate, reconciled amounts within its filed annual statements.	17

Respectfully submitted,

David Crandall, CFE

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

David Crandall, being duly sworn, deposes and says that the foregoing submitted report is true to the best of his knowledge and belief.

____
David Crandall, CFE

Subscribed and sworn to before me
This _____ day of __________2017

APPOINTMENT NO. **31422**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, __SHIRIN EMAMI__, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

David Crandall

as a proper person to examine the affairs of

Aetna Health Insurance Company of New York

and to make a report to me in writing of the condition of said

Company

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 4th day of February, 2016

SHIRIN EMAMI
Acting Superintendent of Financial Services

By:

Lisette Johnson
Bureau Chief
Health Bureau