

**Aetna Life Insurance Company Rate Filing
Small Group Major Medical Policies**

State Tracking Numbers: HAO-2015-0189

Effective date: October 1, 2015

Determination by the Department of Insurance: Unreasonable

The California Department of Insurance finds the rate increases submitted by Aetna Life Insurance Company (“Aetna”) in its filing HAO-2015-0189 to be unreasonable. The effective date for these increases is October 1, 2015 to December 31, 2015, and they apply to the company’s small group non-grandfathered PPO plans in California that are regulated by the Department of Insurance.

The average annual rate increase is 27.4% and the average quarterly rate increase is 3.4%. As of April 2015 there were approximately 58,400 members in these plans, of which 40,300 have a renewal date in the 4th quarter and will be affected by this rate filing.

The filing was submitted to the Department on July 31, 2015. This filing and its related files are posted on the California Department of Insurance website for the public [[Link to Aetna LIC Rate Filing HAO-2015-0189](#)].

Pursuant to Guidance 1163:2 and 1163:6, the Department considered a number of factors in making the determination that the rate increases are **unreasonable**.

The choice of assumptions or combination of assumptions on which the rate increase is based is unreasonable. The combination of several assumptions, including pricing trend and morbidity adjustment, produced a rate increase that the Department considers unreasonable.

- The company should have updated its experience from October 1, 2013 to September 30, 2014 with experience from January 1, 2014 to December 31, 2014.
- The pricing trend of 8.6% per annum should have been lowered to 7.7%, the same as the trend used in the 1Q 2016 filing for this block.

Finding: This rate filing is Unreasonable.

The Department requested Aetna to reduce its quarterly rate increase from 3.4% to 0.8% and its annual increase from 27.4% to 24.8% in order to prevent a finding of unreasonability. This reduction would have resulted in as much as \$5.5 million in savings to the members affected by this rate increase as their policies renew.

October 9, 2015