

Report of Examination of

Aetna Better Health Inc.
Columbus, Ohio

As of February 21, 2012

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Columbus, Ohio

March 9, 2012

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance ("Department")
50 West Town Street, 3rd Floor - Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code ("ORC"), an examination was made of

Aetna Better Health Inc.

an Ohio domiciled, health insuring corporation, hereinafter referred to as the "Company." The qualifying examination was conducted at the Department.

A report of this examination is hereby respectfully submitted.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors and consisted of the following members as of the examination date:

| Name | Principal Occupation |
|------------------|--|
| Fred Hatfield | Chief Operating Officer, Scaller Anderson, LLC (an affiliate of Aetna Inc.) |
| Thomas Kelly | President and Chief Executive Officer, Scaller Anderson, LLC (an affiliate of Aetna, Inc.) |
| Janet Stallmeyer | Senior Vice President, Scaller Anderson, LLC (an affiliate of Aetna, Inc.) |

Officers

The following officers were elected by the board of directors and were serving as of the examination date:

| Name | Title |
|--------------------|--|
| Thomas Kelly | President and Chief Executive Officer |
| Robert Kessler | Vice President and Secretary |
| Elaine Cofrancesco | Vice President and Treasurer |
| Steven Conte | Principal Financial Officer and Controller |
| Brian Winters | Assistant Controller |
| James Casey | Senior Investment Officer |

Articles of Incorporation

The Secretary of the State of Ohio approved the Company's original Articles of Incorporation on July 15, 2011.

Code of Regulations

The Company's sole shareholder approved the Code of Regulations on August 8, 2011.

Territory and Plan of Operations

The Company intends to write Medicaid Managed Care in the State of Ohio.

Holding Company

The Company is ultimately owned by Aetna, Inc. a publicly traded health insurance company.

Scope of Examination

The purpose of the examination was to make an assessment of the financial condition of the Company as of February 21, 2012. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the National Association of Insurance Commissioners (NAIC) Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

In addition, the following items were reviewed during the course of this examination:

1. Company history; and
2. Insurance.

Financial Statements

The financial condition of the Company, as of February 21, 2012, is reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds

Statement of Assets, Liabilities, Surplus and Other Funds

February 21, 2012

Assets

| | |
|-----------------------------------|--------------|
| Cash and invested assets | \$ 2,996,337 |
| Investment income due and accrued | <u>3,606</u> |

Total Assets \$ 2,999,943

Liabilities and surplus

Liabilities

| | |
|-----------------------|------------|
| Current tax liability | <u>554</u> |
|-----------------------|------------|

Total liabilities 554

Surplus

| | |
|--------------------------------|------------------|
| Paid in Capital (common stock) | 1 |
| Paid in surplus | 2,999,999 |
| Unrealized capital gains | (2,691) |
| Retained earnings | <u>2,080</u> |
| Total surplus | <u>2,999,389</u> |

Total liabilities and surplus \$2,999,943

Notes to Financial Statements

Cash and invested assets

This asset consisted of a United States Treasury Note that has been pledged to the Department, a United States Treasury Bill and cash in a commercial checking account.

Subsequent Events

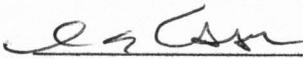
The Company has submitted an application to the Ohio Department of Family and Job Services to become a Medicaid Managed Care provider for all 3 regions in the State of Ohio.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of February 21, 2012, and is summarized as follows:

| | |
|--|--------------------|
| Total Assets | <u>\$2,999,943</u> |
| Liabilities | \$ 554 |
| Surplus as Regards Policyholders | <u>2,999,389</u> |
| Total Liabilities and Surplus as Regards Policyholders | <u>\$2,999,943</u> |

Respectfully,



David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of February 21, 2012.

David A. Cook
Assistant Chief Examiner

3/9/12
Date

State of Ohio
County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 9th day of March, 2012.

Elizabeth Chase

ELIZABETH CHASE

NOTARY PUBLIC, STATE OF OHIO

MY COMMISSION EXPIRES MAY 22, 2012

My Commission Expires