

**BEFORE THE COMMISSIONER OF INSURANCE  
STATE OF KANSAS**

<b>In the Matter of the Proposed</b>	)	
<b>Acquisition of Control of</b>	)	
	)	
<b>AMERIGROUP KANSAS, INC.</b>	)	
	)	<b>Docket No. 4530-ACQ</b>
<b>By:</b>	)	
	)	
<b>WELLPOINT, INC. and</b>	)	
<b>ATH HOLDING COMPANY, LLC</b>	)	

**ORDER**

Now on this 21<sup>st</sup> day of November, 2012, the above matter comes before the Commissioner of Insurance of the State of Kansas (“Commissioner”) upon the filing of a pre-acquisition notice pursuant to K.S.A. 40-3304 and K.A.R. 40-1-28 in the form of “Form A” Statement Regarding the Acquisition of Control of a Domestic Insurer (“Form A Statement”) by WellPoint, Inc., an Indiana corporation, and ATH Holding Company, LLC, an Indiana Limited Liability Company (“Applicants”). The Form A Statement relates to the proposed acquisition of control of Amerigroup Kansas, Inc. (“AMGKS”), a Kansas health maintenance organization.

The Applicant is represented by John Cannon, Executive Vice President and General Counsel. Amerigroup Corporation (“AGP”), owner of 100% of the outstanding shares of AMGKS is represented by Nicholas J. Pace, Executive Vice President, General Counsel and Secretary for AMGKS. The Kansas Insurance Department (“KID”) is represented by its counsel, Jennifer R. Sourk. Also appearing for KID is Kenneth G. Abitz, Director, Financial Surveillance Division; and Mark E. Owens, Principal Financial Analyst, Financial Surveillance Division.

This Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period if no request for hearing is made, pursuant to K.S.A. 77-542.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. 40-3301 and 40-3304(d)(1) and in accordance with the Kansas Administrative Procedures Act, K.S.A. 77-501, *et seq.*, the Commissioner hereby asserts the following declarations of public interest and policy, findings of fact, conclusions of law and orders:

**DECLARATION OF PUBLIC INTEREST AND POLICY**

The Commissioner finds and declares that it is consistent with the public interest and the interest of policyholders to permit insurers to:

- (a) Engage in activities which would enable them to make better use of management skills and facilities;
- (b) diversify into new lines of business through acquisition or organization of subsidiaries;
- (c) have free access to capital markets which could provide funds for insurers to use in diversification programs;
- (d) implement sound tax planning conclusions; and
- (e) serve the changing needs of the public and adapt to changing conditions of the social, economic and political environment, so that insurers are able to compete effectively and to meet the growing public demand for institutions capable of providing a comprehensive range of financial services.

The Commissioner further finds and declares that the policies and purposes in K.S.A. 40-3301, *et seq.*, promote the public interest by:

- (a) Facilitating the achievement of the objectives enumerated in K.S.A. 40-3301 and set out above;
- (b) requiring disclosure of pertinent information relating to changes in control of an insurer;
- (c) requiring disclosure by an insurer of material transactions and relationships between the insurer and its affiliates, including certain dividends paid by the insurer; and
- (d) providing standards governing material transactions between the insurer and its affiliates.

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

The findings of fact and conclusions stated herein are based upon the statements made by Applicants in the Form A Statement and accompanying documents made under oath and filed with KID by Applicant pursuant to K.S.A. 40-3304(b) and K.A.R. 40-1-28.

1. Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of the KID, and the Commissioner has had the benefit of their technical expertise and advice.

2. The purpose of the filing of the Form A Statement is to seek authority from KID for the proposed acquisition of control of AMGKS by the Applicants. The terms and conditions of the proposed acquisition are more fully set forth in the Form A Statement filed with the Commissioner pursuant to the Kansas Insurance Holding Companies Act, K.S.A. 40-3301, *et seq.*

3. The Form A Statement filed with the KID by Applicants included a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer dated August 3,

2012, and a supplemental “Change No. 1” to the Form A Statement filed on October 18, 2012, requesting approval of the acquisition of control of AMGKS.

4. The Applicants submitted various Exhibits, 1 through 20, to the Form A Statement; including, but not limited to, the Agreement and Plan of Merger, organizational charts, and financial statements.

5. AMGKS is a Kansas corporation and its statutory home offices are in Overland Park, Kansas. AGP currently directly owns one hundred percent (100%) of the outstanding shares of AMGKS.

6. WellPoint, Inc. (“WellPoint”) is an Indiana corporation which is publicly-owned and traded on the New York Stock Exchange. WellPoint is a diversified health care benefits company, offering a broad range of health insurance products and related services. ATH is a direct wholly-owned subsidiary of WellPoint. ATH has no business of its own and serves as a holding company for several of WellPoint’s operating insurance companies and other subsidiaries. WellPoint Merger Sub, Inc. is a Delaware corporation and a direct wholly owned subsidiary of ATH. WellPoint will acquire control of AGPKS when WellPoint Merger Sub, Inc., is merged with and into AGP. Immediately upon consummation of the merger, the separate corporate existence of WellPoint Merger Sub, Inc. will cease, and AGP will continue as the surviving corporation and as an indirect wholly owned subsidiary of WellPoint. WellPoint will be the ultimate controlling party of AGPKS.

7. On July 9, 2012, Applicants and AGP executed an Agreement and Plan of Merger. The Agreement and Plan of Merger provides for the transaction to close following, among other things, the approval of Amerigroup Corporation’s stockholders

and the proper regulatory approval of each state where approval is necessary. The purchase price of the acquisition is approximately \$5 billion.

8. The staff of the KID have inspected and reviewed the contents of the Form A Statement and Exhibits attached thereto, to the extent necessary, and found that the filing of the Form A Statement and Exhibits are in compliance with the provisions of the Kansas Insurance Holding Company Act, K.S.A. 40-3301 et seq. and K.A.R. 40-1-28 and that the Form A Statement and Exhibits have provided the information required under Kansas statutes to enable the Commissioner to render a decision.

9. Evidence shows that after the change of control, AGPKS would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which they are presently licensed.

10. Evidence shows that the financial condition of the Applicants does not jeopardize the financial stability of the AGPKS or prejudice the interest of their respective policyholders.

11. Evidence shows that the Applicants have no current plans or proposals to liquidate AGPKS, sell its assets or consolidate or merge AGPKS with any person, or to make any other material change in AGPKS's current active business operations or corporate structure or management.

12. Evidence shows that the competence, experience and integrity of those persons who would control the operation of AGPKS are such that it would be in the interest of policyholders of the insurer and of the public to permit the acquisition of control.

13. Evidence shows that the acquisition is not likely to be hazardous or prejudicial to the insurance-buying public.

**IT IS THEREFORE ORDERED BY THE COMMISSIONER OF INSURANCE THAT:**

1. The application by WellPoint, Inc. and ATH Holding Company, LLC to acquire control of Amerigroup Kansas, Inc. in the manner set forth in the Form A Statement Regarding Acquisition of Control and Exhibits attached thereto is hereby approved pursuant to K.S.A. 40-3304, provided that the acquisition is effected within sixty (60) days of the date of this Order.

2. The Commissioner retains jurisdiction over the subject matter of this proceeding and over the parties for the purpose of entering such further order or orders as may be deemed proper.

**NOTICE OF RIGHTS**

This is a Final Order. This Final Order is effective upon service. Pursuant to K.S.A. 77-529, Applicant may petition the Commissioner for reconsideration of this Final Order within fifteen (15) days after service of the Final Order. A petition for reconsideration must state the specific grounds upon which relief is requested. Additionally, a party to this agency proceeding may seek judicial review of this Final Order by filing a petition in the District Court, pursuant to K.S.A. 77-601, et seq. Reconsideration of this Final Order is not a prerequisite for judicial review. A petition for judicial review is not timely unless filed within 30 days following the service of this Final Order, unless the Applicant petitions the Commissioner for reconsideration, in which case a petition for judicial review is not timely unless filed within 30 days following service of an order rendered upon reconsideration, or an order denying the request for reconsideration. In the event

the Applicant files a petition for judicial review, the agency officer to be served on behalf of the KID is:

Zachary J.C. Anshutz, General Counsel  
Kansas Insurance Department  
420 S.W. 9th Street  
Topeka, Kansas 66612.

**IT IS SO ORDERED THIS 21<sup>st</sup> DAY OF NOVEMBER, 2012, IN THE CITY OF TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.**



  /s/ Sandy Praeger\_\_\_\_\_  
Sandy Praeger  
Commissioner of Insurance

  /s/ Zachary J.C. Anshutz\_\_\_\_\_  
Zachary J.C. Anshutz  
General Counsel

**Certificate of Service**

I hereby certify that a true and correct copy of the foregoing Order was forwarded via first class mail, postage prepaid on the 21<sup>st</sup> day of November, 2012 to:

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\_ /s/ Jennifer R. Sourk \_\_\_\_\_  
Jennifer R. Sourk  
Staff Attorney