

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

In the Matter of the Proposed)
Acquisition of Control of)
)
COVENTRY HEALTH CARE OF)
KANSAS, INC.) **Docket No. 4507-ACQ**
)
By:)
)
AETNA INC.)

ORDER

Now on this 13th 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 Aetna Inc. (“Applicant”), a Pennsylvania corporation. The Form A Statement relates to the proposed acquisition of control of Coventry Health Care of Kansas, Inc. (“CHCKS”), a Kansas health maintenance organization.

The Applicant is represented by Steve Whitmer and Tim Farber, Senior Counsel of Locke Lord LLP. Coventry Health Care, Inc. (“CHC”), owner of 100% of the outstanding shares of CHCKS is represented by Jonathan Weinberg, Assistant Secretary and Deputy General Counsel. The Kansas Insurance Department (“KID”) is represented by its Counsel, Jennifer R. Sourk.

Pursuant to the authority granted to the Commissioner pursuant to K.S.A. 40-3301 and K.S.A. 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 Applicant 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 and the fact finding hearing held on November 5, 2012.

1. Significant documents have been reviewed by representatives of the Financial Surveillance and Legal Divisions of 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 CHCKS by the Applicant. 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 Applicant included a Form A Statement Regarding the Acquisition of Control of a Domestic Insurer dated September 4, 2012 requesting approval of the acquisition of control of CHCKS.

4. The Applicant submitted the following Exhibits to the Form A Statement:

Exhibit 1: Agreement and Plan of Merger dated August 19, 2012 (the “Acquisition Agreement”) among Coventry, Aetna and Merger Subsidiary

- Exhibit 2: Current Organizational Chart of Coventry and its affiliates
- Exhibit 3: Directors and executive officers of the Applicant
- Exhibit 4-A: Current organizational chart of Aetna and its affiliates
- Exhibit 4-B: Pro Forma Organizational Chart of Aetna and its affiliates following the Transaction
- Exhibit 5-A to 5-E: Annual Form 10-K filing for years 2011 to 2007
- Exhibit 6-A to 6-B: Aetna's Quarter Report on Form 10-Q-March 31, 2012 and June 30, 2012
- Exhibit 7: NAIC Biographical Affidavits of Directors and Executive Officers of Aetna
- Exhibit 8-A and 8-B: Coventry's 2011 and 2010 Annual Stockholder Report
- Exhibit 9-A to 9-E: Aetna's 2011 to 2007 Annual Report to Stockholders
- Exhibit 10: Three Year Financial Projections of the Domestic Insurer
- Exhibit 11: Aetna Form 8-K filed August 22, 2012

5. CHCKS is a Kansas corporation and its home offices are in Wichita, Kansas. CHC currently directly owns one hundred percent (100%) of the outstanding shares of CHCKS.

6. Applicant is a Pennsylvania corporation which is publicly-owned and traded on the New York Stock Exchange. Applicant is a diversified health care benefits company, offering a broad range of health insurance products and related services to approximately 36.7 million individuals. Jaguar Merger Subsidiary, Inc. is a direct wholly-owned subsidiary of Applicant, formed for the purpose of acquiring Coventry Health Care, Inc. Applicant contemplates that Coventry Health Care, Inc. will merge with Jaguar Merger Subsidiary, and as a result, Applicant will be the ultimate controlling party of CHCKS.

7. On October 26, 2012, KID issued a Notice of Public Hearing, ordering that a public hearing on the proposed acquisition be held on November 5, 2012 at Shawnee A Room of the Capitol Plaza Hotel Maner Conference Center, 1717 SW Topeka, Blvd., Topeka, Kansas.

8. On November 5, 2012, KID held a fact-finding hearing regarding the transaction. Commissioner Praeger served as Presiding Officer and was represented by counsel, Kristopher M. Kellim. Appearing for KID were Jennifer Sourk and Kenneth Abitz. Appearing for the Applicant were Gerald W. Connor, Tim Farber and Steve Whitmer. Jonathan Weinberg, Drew Asher and Brad Clothier appeared for CHCKS.

9. At the fact-finding hearing on November 5, 2012, both the Form A was submitted into evidence. Written testimony was submitted by certain parties, including, but not limited to, Gregory Martino, Assistant Vice President, State Government Relations, of Aetna Inc.; Drew Asher, Senior Vice President, Corporate Finance, of Coventry Health Care, Inc.; Brad Clothier, Chief Operating Officer of Coventry Health of Kansas, Inc. and Ken Abitz, Director, Financial Surveillance Division, of the Kansas Insurance Department.

10. On August 19, 2012, Applicant and Coventry Health Care, Inc. 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 Coventry Health Care, Inc.'s stockholders and the proper regulatory approval of each state where approval is necessary.

11. 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 are in compliance with the provisions of the K.S.A. 40-3301 et seq. – Kansas Insurance Holding Company Act 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.

12. In consideration of the proposed acquisition of control, each outstanding share of Coventry Health Care, Inc.’s common stock (other than shares held, directly or indirectly, by Coventry Health Care, Inc. or Applicant and other than those shares with respect to which appraisal rights are properly exercised) will be converted into the right to receive .3885 shares of Applicant’s common stock and \$27.30 in cash, without interest. The cash portion of the transaction will be financed with approximately \$1.2 billion of cash available at Applicant and CHC at the time of closing, and \$2.5 billion of new debt and commercial paper. Applicant will also assume all of Coventry Health Care Inc.’s outstanding debt, totaling approximately \$1.6 billion. The total dollar value of the transaction is approximately \$7.3 billion dollars.

13. Evidence shows that after the change of control, CHCKS 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.

14. Evidence shows that the financial condition of the Applicant does not jeopardize the financial stability of the CHCKS or prejudice the interest of their respective policyholders.

15. Evidence shows that the Applicant has no current plans or proposals to liquidate CHCKS, sell its assets or consolidate or merge CHCKS with any person, or to

make any other material change in CHCKS's current active business operations or corporate structure or management.

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

17. 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 Aetna Inc. to acquire control of CHCKS 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 one hundred eighty (180) 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 13th 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 13th day of November, 2012 to:

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