
In the Matter of the Acquisition of Control of
Humana Insurance Company
HumanaDental Insurance Company
Humana Wisconsin Health Organization Insurance Corporation, and
Independent Care Health Plan

By

Aetna Inc.

Petitioner.

Case No. 15-C40896

AFFIDAVIT OF GREGORY MARTINO ON BEHALF OF APPLICANT

I, Gregory Martino, hereby declare under penalty of perjury as follows:

1. I am an officer of Aetna Inc., a Pennsylvania corporation (“Applicant” or “Aetna”), holding the title of Assistant Vice President, State Government Relations.

2. I present this Affidavit on Applicant’s behalf to show the evidence supporting the approval of the above-entitled action in compliance with Wisconsin Statutes § 611.72. I am authorized to give this Affidavit by the powers vested in me under my duties on behalf of Applicant.

DESCRIPTION OF TRANSACTION

3. On or about August 3, 2015, Applicant submitted the Form A Statement and attached exhibits (“Form A Statement”) to the Wisconsin Office of the Commissioner of Insurance (the “OCI”) in compliance with Section Ins 40.02 of the Wisconsin Administrative Code. The Form A Statement is incorporated herein by reference.

4. As explained in the Form A Statement, Applicant proposes to acquire control of Humana Insurance Company (“HIC”), HumanaDental Insurance Company (“HDIC”), Humana Wisconsin Health Organization Insurance Corporation (“HWHOIC”) and Independent Care

Health Plan (“ICHP”) (collectively, the “Domestic Insurers”), insurers and health maintenance organizations (“HMOs”) domiciled in the State of Wisconsin. HIC, HDIC and HWHOIC (collectively, the “Wholly-Owned Domestic Insurers”) are each indirect, wholly-owned subsidiaries of, and controlled by, Humana Inc. (“Humana”). ICHP is 50% owned by CareNetwork Inc., a wholly-owned direct subsidiary of Humana, while the remaining 50% of ICHP is owned by Centers of Excellence, Inc., an entity unaffiliated with Humana. Humana is a publicly-traded Delaware holding company for various insurance companies, health maintenance and dental maintenance organizations and related organizations, in connection with Applicant’s acquisition of Humana (the “Transaction”).

5. Specifically, the Transaction contemplates that Echo Merger Sub, Inc., a direct, wholly-owned subsidiary of Aetna established specifically for the Transaction (the “Merger Sub 1”), will merge with and into Humana (the “First Merger”). As a result of the First Merger, Humana (the surviving entity of the First Merger) will become a direct, wholly-owned subsidiary of Aetna. Immediately following the closing of the First Merger, Humana (as the surviving entity of the First Merger) will merge with and into Echo Merger Sub, LLC, a direct, wholly-owned subsidiary of Aetna established specifically for the Transaction (the “Second Merger”), with Echo Merger Sub, LLC remaining as the surviving entity of the Second Merger (the “Surviving Company”). Following the Second Merger, the Surviving Company will remain a direct, wholly-owned subsidiary of Aetna and will be renamed “Humana LLC.”

6. The terms and conditions governing the Transaction are described in the Agreement and Plan of Merger dated July 2, 2015 among Aetna, the Merger Sub 1, the Surviving Company and Humana (the “Acquisition Agreement”), which is attached as Exhibit 1 to the Form A Statement.

7. Under the terms of the Acquisition Agreement, following the closing of the Transaction, Applicant will be the ultimate parent company of, and will thus control, the Wholly-Owned Domestic Insurers and 50% of ICHP. A chart reflecting the organizational structure of Applicant and its affiliates following the closing of the Transaction based on Aetna's and Humana's respective current organizational structures is attached as Exhibit 4-B to the Form A Statement.

DESCRIPTION OF AFFIANT

8. From 1988 through 2000, I worked for the Pennsylvania Insurance Department. During that period, I held various titles, including Director for Market Conduct, Deputy Insurance Commissioner and, for a six-month period, Acting Insurance Commissioner.

9. From 2000 to the present, I have been employed by Aetna and its affiliates in the Law and Regulatory Affairs department, which includes Government Affairs. My responsibilities have included, among other things, overseeing the processes for seeking and obtaining state insurance regulatory approvals and permits of various kinds, including Form A applications in connection with acquisitions by Aetna. In addition, I have been responsible for overseeing a wide range of regulatory and compliance matters and interacting with governmental and regulatory agencies. I have also worked with Aetna's corporate development and integration teams on various other mergers and acquisitions.

DESCRIPTION OF APPLICANT

10. The Aetna family of companies was founded in 1853 in Hartford, Connecticut. In 1982, Aetna, the current corporate parent was organized as a Pennsylvania corporation. Aetna is a publicly-owned and traded company whose stock is traded on the New York Stock Exchange under the trading symbol "AET." Aetna is one of the nation's leading diversified health care

benefits companies, providing individuals, employers, health care professionals, and others with innovative benefits, products, and services and serving an estimated 46 million people with information and resources to help them make better informed decisions about their health care.

11. Aetna offers a broad range of traditional, voluntary and consumer-directed health insurance products and related services, including medical, pharmacy, dental, behavioral health, group life and disability plans, medical management capabilities, Medicaid health care management services and health information exchange technology services.

12. Aetna's customers include employer groups, individuals, college students, part-time and hourly workers, health plans, health care providers, governmental units, government-sponsored plans, labor groups and expatriates.

13. Aetna's operations are conducted in three business segments: Health Care, Group Insurance and Large Case Pensions. Detailed descriptions of each of Aetna's business segments and the nature of Aetna's business for the past five years are set forth in Item 1 of each of Aetna's Annual Reports on Form 10-K for 2010 through 2014, copies of which were attached to the Form A Statement as Exhibit 5 (A-E).

14. The Merger Sub 1 was incorporated on June 26, 2015 as a Delaware corporation and is a direct, wholly-owned subsidiary of Aetna, established specifically to facilitate the Transaction. The Merger Sub 1 will be merged out of existence through the closing of the Second Merger and the Transaction.

15. The Surviving Company was formed on June 26, 2015 as a Delaware limited liability corporation and is a direct, wholly-owned subsidiary of Aetna, established specifically to facilitate the Transaction. The Surviving Company will be the surviving entity of the Second

Merger, will remain a direct, wholly-owned subsidiary of Aetna and will be renamed “Humana LLC” following the Transaction.

DESCRIPTION OF HUMANA AND THE DOMESTIC INSURERS

16. Humana is a publicly-traded Delaware holding company for various insurance companies, health maintenance and dental maintenance organizations and related organizations.

17. Humana is a leading health and well-being company focused on making it easy for people to achieve their best health with clinical excellence through coordinated care. Humana has a long history of being a leader in providing innovative and high quality health plan choices to Medicare beneficiaries. The company’s strategy integrates care delivery, the member experience, and clinical and consumer insights to encourage engagement, behavior change, proactive clinical outreach and wellness for millions of people it serves across the country. Humana insures over 14 million Americans, which includes providing Medicare benefits to over 3.2 million beneficiaries through the Medicare Advantage program and stand-alone Medicare Part D coverage to over 4.5 million members.

18. HIC is licensed by OCI as a life, accident and health insurer and is an indirect, wholly-owned subsidiary of Humana.

19. HDIC is licensed by OCI as a life, accident and health insurer and is an indirect, wholly-owned subsidiary of Humana.

20. HWHOIC is licensed by OCI as an HMO and is an indirect, wholly-owned subsidiary of Humana.

21. ICHP is licensed by OCI as an HMO and is 50% owned by CareNetwork Inc., a wholly-owned direct subsidiary of Humana, while the remaining 50% of ICHP is owned by Centers of Excellence, Inc., an entity unaffiliated with Humana.

REQUIREMENTS OF WISCONSIN STATUTES § 611.72

22. On August 3, 2015, Applicant delivered a copy of the Form A Statement to Humana and the Domestic Insurers.

23. On February 24, 2016, OCI provided written notice to Applicant that a public hearing concerning the Transaction would take place on March 30, 2016. That same day, Applicant provided a copy of the Notice of Hearing to Humana and the Domestic Insurers.

24. Below, I present facts demonstrating that each of the five specific factors set forth in Wisconsin Statutes § 611.72(3)(1) through (5) is satisfied, and that the one general factor set forth in Wisconsin Statutes § 611.72(3) is also satisfied.

Specific Factor 1: The Domestic Insurers Will Continue To Satisfy The Requirements For Issuance Of A License As HMOs And Life, Accident & Health Insurers. Wis. Stat. § 611.72(3)(1).

25. HIC and HDIC are each currently licensed by OCI as life, accident and health insurers. As demonstrated through their licenses, HIC and HDIC satisfy the minimum requirements for licensure as life, accident and health insurers under Wisconsin law.

26. HWHOIC and ICHP are each currently licensed by OCI as HMOs. As demonstrated through their licenses, HWHOIC and ICHP satisfy the minimum requirements for licensure as HMOs under Wisconsin law.

27. As indicated in the Form A Statement, Applicant does not plan to effect any change in the Domestic Insurers' businesses, corporate structures, management or general plan of operations that would have any adverse impact on the ability of the Domestic Insurers to continue to satisfy the requirements of the Wisconsin Statutes for the issuance of licenses as life, accident and health insurers and HMOs, as applicable, the operations of which are as described above.

28. Aetna and its affiliates have robust and proactive compliance departments, which provide substantial quality assurance and ensure that all Aetna companies adhere to the highest standards of business conduct. These standards include sound corporate governance policies to address the interests of Aetna's constituents. After the Transaction, Aetna will apply these same quality assurance and compliance standards to the Domestic Insurers.

Specific Factor 2: The Transaction Will Not Substantially Lessen Competition Or Create A Monopoly In Insurance In Wisconsin. Wis. Stat. § 611.72(3)(2).

29. Aetna and its affiliates (the "Aetna Companies") as well as Humana and its affiliates (the "Humana Companies") together offer coverage in Wisconsin reported under fifteen lines of business. As discussed below, the Transaction will not substantially lessen competition with respect to any of these fifteen business lines in Wisconsin.

30. In my discussion of competition, I will refer to the year-end 2014 Share Analysis attached as Exhibit 7 to Applicant's Form E filing. The data in such Exhibit 7 was obtained from SNL Financial, which obtained the data directly from the National Association of Insurance Commissioners ("NAIC"). At least one of the Aetna Companies or the Humana Companies reported premium in fifteen lines of business in 2014.

31. For *ten* of the fifteen business lines collectively written by the Aetna Companies and Humana Companies in Wisconsin, there is no competitive overlap between the Aetna Companies and Humana Companies. Pursuant to Wisconsin Administrative Code § 40.025(2)(d)(2), for these ten lines of business, the Transaction qualifies for a statutory exemption from review by OCI. Specifically, in Wisconsin, the Humana Companies do not issue coverage reported under [1] Federal Employees Health Benefits Program (Life and A&H Reporter), [2] Medicare Title XVIII Exempt from State Taxes (Life and A&H Reporter), or [3] Non-Renewable Stated Reasons Only (Life and A&H Reporter). For their part, in Wisconsin,

the Aetna Companies do not issue coverage reported under [4] Comprehensive Group (Health Only Reporter), [5] Comprehensive Individual (Health Only Reporter), [6] Dental Only (Health Only Reporter), [7] Medicare Supplement (Health Only Reporter), [8] Title XIX Medicaid (Health Only Reporter), [9] Title XVIII Medicare (Health Only Reporter), or [10] Vision Only (Health Only Reporter). Because there is no overlap in these ten lines of business in Wisconsin, there is no increase in concentration or share. Accordingly, there is no risk of any anticompetitive effects from the proposed acquisition with respect to these ten lines of business.

32. For *four* of the fifteen business lines, the competitive overlap between the Aetna Companies and Humana Companies is small and the share increase is so modest that there is no prospect of any anticompetitive impact in Wisconsin. Pursuant to Wisconsin Administrative Code § 40.025(2)(d)(1) and/or (3), for these four lines of business, the Transaction qualifies for a statutory exemption from review by OCI. For the [1] Ordinary Life Insurance (Life and A&H Reporter) line of business, there would be a share increase of 0.02%, and the combined share would be 0.07%: the Aetna Companies have a 0.05% share, and the Humana Companies have a 0.02% share. For the [2] Group Life Insurance (Life and A&H Reporter) line of business, there would be a share increase of 0.19%, and the combined share would be 1.71%: the Aetna Companies have a 1.52% share, and the Humana Companies have a 0.19% share. For the [3] Accident & Health Group Policies Only (Life and A&H Reporter) line of business, there would be a share increase of 0.09%, and the combined share would be 1.77%: the Aetna Companies have a 1.67% share, and the Humana Companies have a 0.09% share. For the [4] Guaranteed Renewable Accident & Health (Life and A&H Reporter) line of business, there would be a share increase of 0.27%, and the combined share would be 11.14%: the Aetna Companies have a 10.87% share, and the Humana Companies have a 0.27% share. The small absolute shares and

small share increases for these lines in Wisconsin fall well below the level at which competitive concerns could arise. Accordingly, there is no risk of any anticompetitive effects from the proposed acquisition with respect to these four lines of business.

33. For the remaining *one* line of business, Applicant's acquisition of the Domestic Insurers will not substantially lessen competition nor tend to create a monopoly in Wisconsin, as demonstrated below.

34. For the Disability, Long-Term Care, Stop Loss & Other Health (Health Only Reporter) line of business, Applicant's acquisition of the Domestic Insurers will not substantially lessen competition nor tend to create a monopoly in Wisconsin. Specifically, in Wisconsin, the combined share would be 29.81%: the Aetna Companies have a 1.17% share, and the Humana Companies have a 28.64% share. The share increase is of no genuine competitive consequence, given the number and shares of firms writing in the line of business, vigorous rivalry in the space and other factors. Post-acquisition, the combined firm will continue to face competition from CVS Health Corp. (23.64% share), Anthem (16.77% share), Wisconsin Physicians Service Insurance (13.93% share), Express Scripts Holding (4.47% share), Envision Insurance (3.19% share), WellCare Health Plans (2.93% share), HealthPartners (2.25% share), and a number of other firms with smaller shares. Rivals have every economic reason and incentive to compete against the merged firm by expanding sales whenever a competitive opportunity arises. Further, such an opportunity would create further incentive for new entry into the line of business. Rivals are likely to continue competing effectively – indeed, were the merged firm to attempt to raise prices or reduce quality significantly, it would merely open the door for the rivals and new entrants to capture more of the line of business. The data reported in this line of business over the last five years demonstrates both competition and ease of expansion in Wisconsin. CVS

Health grew from a share of 16.08% in 2010 to a 38.90% share in 2013 before falling to 23.64% in 2014. Anthem fell from 28.76% of the written premium in 2011 to 16.77% in 2014; Wisconsin Physicians Service fell from 24.47% to 13.93%. CVS Health, Anthem, Wisconsin Physicians Service and the other firms reporting premium in this line of business could readily expand output in the event of a profit opportunity. For these and other reasons stated in Applicant's Form E filing, Applicant's acquisition of the Domestic Insurers poses no risk of anticompetitive effects in this business line in Wisconsin.

35. In addition, although each of the two Title XVIII Medicare lines [Medicare Title XVIII Exempt from State Taxes (Life and A&H Reporter) and Title XVIII Medicare (Health Only Reporter)] separately qualify for an exemption, if one combines the shares from the two Reporters into a single business line for purposes of analysis, that line would not qualify for an exemption. Accordingly, although not required to do so, I will address Medicare in more detail.

36. The Transaction would not substantially lessen competition in the Title XVIII Medicare line of business in Wisconsin, nor tend to create a monopoly in that line of business. Even if one were to combine the premiums reported in the Life and A&H Reporters and the Health Only Reporters, the combination between the Aetna Companies (1.92% share) and the Humana Companies (21.16% share) will result in a combined share of only 23.08% for this line of business. As explained below, there is no threat to competition from this modest share change given the number and shares of firms writing in this line of business, government regulation and other factors. Further, the Transaction will improve the combined firm's product offerings to Wisconsin Medicare beneficiaries.

37. Post-acquisition, the combined firm will face substantial competition in the Title XVIII Medicare line of business in Wisconsin from the leading insurer, UnitedHealth Group

(33.10% share), as well as from Ministry Health Care (14.76% share), Security Health Plan of Wisconsin (12.99% share), Gundersen Health System (3.61% share), SSM Health Care (2.74% share), UCare Minnesota (2.22% share), Medica Holding (1.98% share), and the 12 other firms reporting Title XVIII Medicare premium. These well-capitalized rivals have established business platforms and can readily expand output in the event of a profit opportunity. Further, there are no substantial barriers to new entry into the line of business.

38. In addition, Medicare Advantage (“MA”) plans compete for beneficiaries not only against each other, but also against Traditional Medicare. (*See* Consent Order at ¶ 19, *In the Matter of Application for Indirect Acquisition of Humana Health Ins. Co. of Fla, Inc. et al.*, Case No. 185926-16-CO (Feb. 15, 2016) (“Based on its analysis, the OFFICE finds that Medicare Advantage, the private market product, competes directly with Traditional Medicare.”).) Traditional Medicare accounts for 68.4% of Wisconsin enrollees. When considering Traditional Medicare and MA plans together, post-Transaction, the Aetna Companies and the Humana Companies will collectively account for 7.2% of Wisconsin Medicare beneficiaries. Finally, the Centers for Medicare & Medicaid Services (CMS) engages in active regulation of pricing and benefits provided by MA plans. CMS regulation protects the interests of consumers. For example, CMS has authority to approve or disapprove rates and benefit levels in MA plans.

39. When Medicare beneficiaries enroll in the program, they can choose from a menu of options that includes both MA plan options and Traditional Medicare. Beneficiaries eligible for Medicare may choose to obtain insurance coverage for (a) inpatient hospital stays, care in a skilled nursing facility, hospice care and some home health care (Part A), and (b) certain doctors’ services, outpatient care, medical supplies and preventive services (Part B) either through

Traditional Medicare or from a private insurer offering an MA plan.¹ Enrollees in Traditional Medicare may supplement their coverage with (1) Medicare Supplemental policies (sometimes called Medigap plans), which help pay some of the health care costs that Traditional Medicare does not cover, like copayments, coinsurance and deductibles, and (2) stand-alone Prescription Drug Plans (PDP), which provide insurance coverage for prescription drug purchases. Both of these coverages are offered by private insurers. Similarly, MA plans typically offer additional cost coverage, as well as prescription drug coverage, as part of the service bundle. Medicare beneficiaries may choose from a menu of MA plans that vary in their premiums and coverage options. Medicare beneficiaries looking for a listing of options to choose from can use the CMS on-line Plan Finder to identify the plans available in their area with the various benefit options, each plan's star rating and an estimate of annual health care costs under each option. After entering their zip code, certain personal characteristics and an optional list of drugs, the enrollee is presented with a list of options that includes Traditional or "Original" Medicare at the top, then a list of the MA options.²

40. Medicare beneficiaries face this choice, initially, when they first become eligible. On an annual basis, Medicare beneficiaries also can revisit their choice and either switch among MA plans or switch into or out of Traditional Medicare during the open enrollment period in November and December.

¹ See CMS, "Your Medicare coverage choices," available at <https://www.medicare.gov/sign-up-change-plans/decide-how-to-get-medicare/your-medicare-coverage-choices.html>. Step 1 in signing up for Medicare is choosing between Traditional or "Original" Medicare or an MA plan.

² See <https://www.medicare.gov/find-a-plan/>. In addition, Medicare beneficiaries can search and compare MA plans and stand-alone PDP plans on other websites. See e.g. <http://medicare-advantage-plans.healthgrove.com/> and <https://www.healthpocket.com/medicare/>.

41. As the selection process suggests, the presence of Traditional Medicare acts as an important competitive constraint on MA plans. MA providers must offer plans that are sufficiently inexpensive and attractive that they are viewed as preferable to both Traditional Medicare and other MA providers. For new beneficiaries aging into Medicare, MA plans need to be attractive enough not just to win MA members from other MA plans, but also to attract enrollees away from Traditional Medicare.

42. For these and other reasons stated in Applicant's Form E filing, Applicant's acquisition of the Domestic Insurers poses no risk of anticompetitive effects in the Title XVIII Medicare line of business in Wisconsin.

43. Finally, a pre-merger notification statement under the federal Hart-Scott-Rodino Antitrust Improvements Act of 1976 as amended, relating to the Transaction, has been submitted to the United States Department of Justice and the Federal Trade Commission and, on the date of this Affidavit, is awaiting clearance.

Specific Factor 3: The Financial Condition Of Applicant Will Not Jeopardize The Financial Stability Of The Domestic Insurers Or Humana Or Prejudice The Interests Of The Domestic Insurers' Wisconsin Policyholders. Wis. Stat. § 611.72(3)(3).

44. The financial condition of Applicant is not likely to jeopardize the financial stability of the Domestic Insurers or Humana.

45. Additionally, Applicant is aware of no information suggesting that its financial condition would prejudice the interests of the Domestic Insurers' policyholders.

46. To the contrary, Applicant believes that the financial condition and resources of Aetna will materially strengthen the financial stability of Humana and the Humana subsidiaries, including the Domestic Insurers, and will enhance the interests of the Domestic Insurers' policyholders.

47. The audited consolidated financial statements of Aetna reflect its strong financial condition. Per its financial statements, for the year ending December 31, 2015, Aetna had a net income of approximately \$2,390,200,000. (See Aetna 2015 Form 10-K at 81.) Also, Aetna earned approximately \$60,336,500,000 in revenues in 2015 (*id.*), and it had cash and cash equivalents of approximately \$2,524,300,000 at December 31, 2015 (*id.* at 84).

48. Furthermore, as reported in its Health Annual Statement for December 31, 2015, the capital and surplus of HIC is approximately \$3,642,086,042. The capital and surplus of HDIC is approximately \$84,647,125. The capital and surplus of HWHOIC is approximately \$87,423,541. The capital and surplus of ICHP is \$27,526,671. The Domestic Insurers' financial strength will provide further financial stability for its policyholders.

Specific Factor 4: The Transaction Is Fair And Reasonable To The Domestic Insurers' Policyholders And Is In The Public Interest. Wis. Stat. § 611.72(3)(4).

(a) The Terms Of The Acquisition Agreement Are Fair And Reasonable To The Policyholders Of The Domestic Insurers And Are In The Public Interest.

49. The terms of the Acquisition Agreement are fair and reasonable to the policyholders of the Domestic Insurers and are in the interest of the public.

50. Specifically, following the closing of the Transaction, the combined organization will be better positioned to help drive higher-quality and better-value health care by leveraging best-in-class practices from the two organizations, including Humana's chronic-care capabilities that measurably improve health outcomes for larger populations, reducing administrative costs and enabling the combined organization to better compete with more cost-effective products.

51. The combined organization will also be well-positioned to offer a broader choice of affordable, consumer-centric health care products by bringing together Aetna's and Humana's complementary capabilities and product focuses, helping to improve health outcomes, constrain cost growth, and promote wellness. The Transaction will provide Aetna with an enhanced ability

to work with providers and create value-based payment agreements that result in better care to consumers, and spread cutting-edge clinical practices and quality care.

52. The Transaction will bring together two companies that are highly complementary. Aetna has traditionally been best known for its leadership and expertise in commercial health insurance, while Humana has been best known for its leadership and expertise in Medicare. After the acquisition, Aetna will have a product portfolio balanced more evenly between commercial and government products (such as Medicare and Medicaid).

53. More specifically, the combination of Aetna and Humana in connection with the Transaction will:

- Bring together complementary capabilities, in particular Humana's Medicare Advantage focus and Aetna's commercial presence, in a highly competitive marketplace. Humana has built a high quality, consumer-friendly Medicare platform, and will make Aetna's Medicare business more effective and competitive by allowing Aetna to offer Humana's award-winning care and service model to the rapidly growing Medicare population. Similarly, Aetna's capabilities will make Humana's commercial business more effective and competitive.
- Combine two organizations with longstanding commitments to promoting wellness, health and access to high-quality health care for everyone, while supporting the communities in which they serve.
- Reduce costs and enable the combined organization to offer more competitive products to consumers. Aetna has a proven track record of successful merger integration execution and achievement of cost savings.
- Enhance Aetna's provider engagement capabilities. The Transaction will improve relationships with providers by combining clinical intelligence, value-based reimbursement models, data integration and analytics solutions from both organizations. Humana has developed an excellent array of care management and provider engagement models that complement Aetna's population health assets.
- Build on each organization's respective efforts to improve its clinical engagement and consumer experience capabilities. The Transaction will improve Aetna's ability to provide innovative, technology-driven products, services and solutions to build healthier populations, promote higher quality health care at lower cost, and offer greater transparency and convenience for consumers.

54. The experience of both companies confirms that combining technology with trusted provider partnerships, along with targeted disease and care management programs for high risk populations, works. Aetna and Humana have already had successful provider partnerships that resulted in improved health outcomes for consumers, and the Transaction will provide a greater ability to accelerate the implementation of value-based payment models built around keeping members as healthy and productive as possible.

55. Both Aetna and Humana have already demonstrated success in lowering costs as well as improving quality through alternative payment models. For example, in 2013, Humana experienced a 19% overall cost improvement for Medicare Advantage members who were treated in an accountable care setting, compared with members who were treated by other providers.

56. These strengths of these two largely complementary companies will create a single entity better positioned to provide higher-value, lower-cost service to more consumers, well in advance of the Office of Health & Human Services' goal to establish 50% of Medicare payments through value-based payment arrangements via accountable care and alternative payment model arrangements.

57. In addition, Aetna has identified over \$1.3 billion in efficiencies that it expects to achieve by 2019 through reducing general, administrative and sales expenses, primarily by reducing redundant corporate and administrative functions. Aetna has also identified over \$225 million in medical cost efficiencies that it expects to achieve by 2019 through improved medical management, better alignment of provider networks and incentives, and increased pharmaceutical rebates.

58. As a result, the Transaction will benefit Aetna's and Humana's members and policyholders specifically and the insurance buying public in general.

59. In addition, through the Transaction, the Domestic Insurers will continue to provide their policyholders with a strong financial foundation. As explained above, Applicant believes that the financial condition and resources of Aetna will materially strengthen the financial stability of the Domestic Insurers.

60. Moreover, the basis and terms of the Transaction, including the nature and amount of consideration, were determined by arm's-length negotiations between the respective management and representatives of Applicant and Humana.

61. Applicant and Humana each engaged independent financial and legal advisors in connection with negotiating the Transaction and Acquisition Agreement, in addition to relying on their respective corporate counsel and other professionals.

62. Specifically, with respect to Applicant, Applicant performed a comprehensive due diligence investigation and reviewed, among other things, the financial statements, operations and legal documents of Humana and its subsidiaries.

63. Applicant utilized widely accepted valuation techniques to obtain an indication of value for determining the amount of consideration and also considered such additional factors and information as Applicant deemed relevant under the circumstances including, but not limited to, the financial position and results of operations of Humana and its subsidiaries, their past and current business operations, historical and potential earnings, financial prospects, and assets and liabilities.

64. Applicant utilized financial advisors and legal counsel to assist it in its due diligence and received the written opinion of each of Citigroup Global Markets Inc. and Lazard

Frères & Co. LLC, financial advisors, to the effect that, as of the date of the Acquisition Agreement, the Merger Consideration (as defined in the Acquisition Agreement) to be paid by Aetna to Humana's stockholders pursuant to the Acquisition Agreement was fair to the Applicant from a financial point of view.

65. The respective Boards of Directors of Applicant and Humana have unanimously approved the transactions contemplated by the Acquisition Agreement.

66. Finally, the respective stockholders of Aetna and Humana have approved the transactions contemplated by the Acquisition Agreement, with Aetna's stockholders approving the transactions contemplated by the Acquisition Agreement with 99.01% of the shares voted at the meeting voting in favor.

(b) Applicant Has No Plans With Regard To The Domestic Insurers Or Humana That Are Unfair Or Unreasonable.

67. Applicant has no present plans or proposals following the closing of the Transaction to cause the Domestic Insurers or Humana to declare any extraordinary dividend, to liquidate the Domestic Insurers or Humana, to sell any material portion of the assets of the Domestic Insurers or Humana, to merge them with any other person or persons or to make any other material change in the Domestic Insurers' or Humana's businesses, corporate structures, management or general plan of operations.

68. From time to time following the closing of the Transaction, Applicant may assess the advisability of causing the Domestic Insurers to declare a dividend. Such determination and any declaration would be effected in compliance with all applicable statutory and regulatory requirements.

69. Also, following the closing of the Transaction, the Domestic Insurers will maintain their separate corporate existence and will be indirect, wholly-owned subsidiaries of

Applicant (except for ICHP which is currently 50% indirectly owned by Humana and will be 50% indirectly owned by Aetna following the closing of the Transaction). No specific material changes in the Board of Directors or senior management or operations of the Domestic Insurers or Humana are currently planned as part of the Transaction or immediately after the Transaction other than to replace any current Board members or employees who resign following the closing of the Transaction.

70. If any such changes were to occur following the closing of the Transaction, they would be communicated to OCI as appropriate and as required by law, and would be effected in compliance with all applicable statutory and regulatory requirements.

Specific Factor 5: The Competence And Integrity Of Those Who Will Control The Domestic Insurers And Humana Following The Closing Of The Transaction Warrant Approval Of The Transaction. Wis. Stat. § 611.72(3)(5).

(a) The Competence And Integrity Of Those Who Will Directly Control The Domestic Insurers Indicate That The Transaction Is In The Best Interests Of The Domestic Insurers' Policyholders And In The Public Interest.

71. The competence and integrity of those persons who will directly control the Domestic Insurers following the closing of the Transaction are such that it would be in the interests of the policyholders of the Domestic Insurers and of the public to permit the proposed acquisition of Humana and its subsidiaries, including the Domestic Insurers.

72. The current *directors* of HIC are: Bruce Dale Broussard, Brian Andrew Kane and James Elmer Murray.

73. The current *executive officers* of HIC are: Bruce Dale Broussard, Brian Andrew Kane, Joan Olliges Lenahan, Kenny Waitem Kan, Stephen Michael Arnhold, Alan James Bailey, Elizabeth Diane Bierbower, John Ellis Brown, Renee Jacqueline Buckingham, Jonathan Albert Canine, John Gregory Catron, Steven James DeRaleau, Charles Wilbur Dow Jr., Mark Sobhi El-Tawil, Jeffrey Carl Fernandez, William Kevin Fleming, Deborah Maureen Galloway, Brian

Phillip LeClaire, Heidi Suzanne Margulis, Mark Matthew Matzke, Steven Edward McCulley, Kevin Ross Meriwether, Matthew George Moore, James Elmer Murray, Bruno Roger Piquin, William Mark Preston, Tamara Lynn Quiram, Richard Donald Remmers, George Renaudin, Donald Hank Robinson, Joseph Christopher Ventura, Timothy Alan Wheatley, Ralph Martin Wilson, Tod James Zacharias and Cynthia Hillebrand Zipperle.

74. The current *directors* of HDIC are: Bruce Dale Broussard, Brian Andrew Kane and James Elmer Murray.

75. The current *executive officers* of HDIC are: Elizabeth Diane Bierbower, Brian Andrew Kane, Joan Olliges Lenahan, Kenny Waitem Kan, Alan James Bailey, Jonathan Albert Canine, John Gregory Catron, Charles Wilbur Dow Jr., Brian Phillip LeClaire, Mark Matthew Matzke, Steven Edward McCulley, William Mark Preston, Tamara Lynn Quiram, Richard Donald Remmers, Donald Hank Robinson, Joseph Christopher Ventura, Timothy Alan Wheatley, Ralph Martin Wilson and Cynthia Hillebrand Zipperle.

76. The current *directors* of HWHOIC are: Bruce Dale Broussard, Brian Andrew Kane and James Elmer Murray.

77. The current *executive officers* of HWHOIC are: Bruce Dale Broussard, Brian Andrew Kane, Joan Olliges Lenahan, Kenny Waitem Kan, Stephen Michael Arnhold, Alan James Bailey, Elizabeth Diane Bierbower, Renee Jacqueline Buckingham, Jonathan Albert Canine, John Gregory Catron, Steven James DeRaleau, Charles Wilbur Dow Jr., Mark Sobhi El-Tawil, Jeffrey Carl Fernandez, Brian Phillip LeClaire, Heidi Suzanne Margulis, Steven Edward McCulley, Matthew George Moore, William Mark Preston, Tamara Lynn Quiram, Richard Donald Remmers, George Renaudin, Donald Hank Robinson, Joseph Christopher Ventura, Timothy Alan Wheatley, Ralph Martin Wilson and Cynthia Hillebrand Zipperle.

78. The current *directors* of ICHP are: Elwood Ivans Kleaver, Stephen Michael Arnhold, John Carroll Moats, Daniel Gordon Neely, James Clarence Hartwig, Alex Carl Chou, Howard Lawrence Garber, Anita Marie Holloway and Cheri Kay Greenfield-La Tour.

79. The current *executive officers* of ICHP are: Howard Lawrence Garber, Thomas Henry Lutzow, Craig David Steffes, William Frederick Jensen, Elizabeth June Bartlett, Donald James Slowik, Vinay Pandey, Lisa Carolyn Holden and Linda Suzanne Ellis.

80. I have reviewed the biographical affidavits of the current directors and executive officers of the Domestic Insurers. These biographical affidavits confirm that the current directors and executive officers of the Domestic Insurers are individuals who are competent and of high integrity, and have years of experience with the Domestic Insurers and at other health insurers or businesses and will continue to make a significant contribution to the Domestic Insurers' management.

81. As explained above, no replacement of the current directors and executive officers of the Domestic Insurers is currently planned as part of the Transaction or immediately after the Transaction, other than replacing any of whom resign following the closing of the Transaction.

(b) The Competence And Integrity Of Those Who Will Control Aetna, Indirectly Controlling The Domestic Insurers And Humana, Indicate That The Transaction Is In The Best Interests Of The Domestic Insurers' Policyholders And In The Public Interest.

82. The competence and integrity of those persons who will control Aetna, and thereby indirectly control the Domestic Insurers and Humana, following the closing of the Transaction are such that it would be in the interests of policyholders of the Domestic Insurers and of the public to permit the proposed acquisition of Humana and its subsidiaries, including the Domestic Insurers.

83. The current *directors* of Aetna are: Fernando Aguirre, Mark T. Bertolini, Frank M. Clark, Betsy Z. Cohen, Molly J. Coye, M.D., Roger N. Farah, Barbara Hackman Franklin, Jeffrey E. Garten, Ellen M. Hancock, Richard J. Harrington, Edward J. Ludwig, Joseph P. Newhouse and Olympia J. Snowe.

84. The current *executive officers* of Aetna are: Mark T. Bertolini, J. David Buda, William J. Casazza, Judith H. Jones, Shawn M. Guertin, Karen (Rohan) Lynch and Sharon A. Virag.

85. Following the closing of the Transaction, Mark Bertolini will serve as Chairman and CEO of the combined company and the Applicant's Board of Directors will be expanded to sixteen directors to include four Humana directors who are independent with respect to Aetna and jointly designated by Humana and Aetna. None of the current directors and executive officers of Aetna will change as a result of the closing of the Transaction.

86. I have reviewed the biographical affidavits of the current directors and executive officers of Aetna and/or had personal interactions with them.

87. The current directors and executive officers of Aetna are individuals who are competent, experienced and of high integrity, and have years of experience with Aetna, its affiliated entities and/or other health insurers or businesses and will continue to make a significant contribution to Aetna's management or the oversight of Aetna, as applicable.

88. All of these persons have held positions with Aetna, its affiliated entities and/or other health insurers that require them to submit biographical affidavits and supporting materials to multiple state insurance regulators. No such regulator has ever taken exception to any of these persons serving in a position with Aetna.

General Factor: The Transaction Would Not Violate The Law Or Be Contrary To The Interests Of The Insureds Of Any Participating Domestic Corporation Or Of The Wisconsin Insureds Of Any Participating Nondomestic Corporation. Wis. Stat. § 611.72(3).

89. Aetna is not aware of any facts that would indicate that the Transaction would violate any law. For example, as discussed above, following the closing of the Transaction, the Domestic Insurers will continue to satisfy the requirements of the Wisconsin Statutes for the issuance of licenses as HMOs or life, accident and health insurers.

90. In another example, as demonstrated above, the Transaction will not substantially lessen competition or create a monopoly with respect to any of the fifteen lines of business written by the Aetna Companies or the Humana Companies in Wisconsin.

91. Aetna is one of the nation's leading diversified health care benefits companies, and offers a broad range of health and wellness services that incorporate an integrated approach to lifelong well-being.

92. By leveraging the strengths of its core businesses, Aetna can better explore opportunities for existing and emerging new relationships and market interactions in health care that can further enhance wellness opportunities for millions of people across the nation with whom the company has relationships, including Domestic Insurers' policyholders.

93. As described above, following the closing of the Transaction, the combined organization will help drive higher-quality and better-value health care by leveraging best-in-class practices from the two organizations, including Humana's chronic-care capabilities that measurably improve health outcomes for larger populations, reducing administrative costs and enabling the combined organization to better compete with more cost-effective products.

94. The combined organization will also be well-positioned to offer a broader choice of affordable, consumer-centric health care products by bringing together Aetna's and Humana's

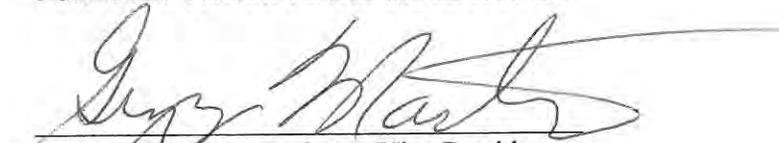
complementary capabilities and product focuses, helping to improve health outcomes, constrain cost growth, and promote wellness. The Transaction will provide Aetna with an enhanced ability to work with providers and create value-based payment agreements that result in better care to consumers, and spread cutting-edge clinical practices and quality care.

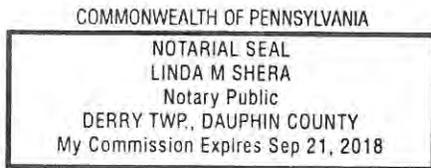
95. In addition, as explained above, Applicant believes that the financial condition and resources of Aetna will materially strengthen the financial stability of Humana and its subsidiaries, including the Domestic Insurers, and will enhance the interests of the policyholders of the Domestic Insurers and the insurance buying public.

96. As a result, the Transaction will benefit Aetna's and Humana's policyholders specifically and the insurance buying public in general.

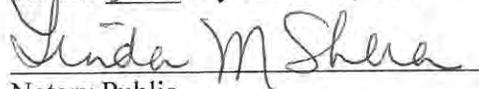
I state under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

FURTHER THE AFFIANT SAYETH NOT


Gregory Martino, Assistant Vice President,
State Government Relations, Aetna Inc.



SUBSCRIBED and SWORN to before
me this 28 day of March, 2016.


Notary Public

My Commission expires: Sept 21, 2018