



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

August 25, 2015

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MR TIM FARBER
LOCKE LORD LLP
111 SOUTH WACKER DRIVE
CHICAGO IL 60606

Re: Form A – Acquisition of Control of Humana Insurance Company, HumanaDental Insurance Company, Humana Wisconsin Health Organization Insurance Corporation, and Independent Care Health Plan (Collectively, “The Wisconsin Domestic Insurers”) by Aetna Inc.

Dear Mr. Farber:

The State of Wisconsin Office of the Commissioner of Insurance (“OCI”) has completed an initial review of the above-referenced Form A filing submitted on August 4, 2015 by Aetna Inc. (“Applicant”). Our review identified certain items requiring follow-up, as indicated below. **To ensure that the Form A review continues to move forward expeditiously, please provide the following information at your earliest convenience:**

1. Consent to Jurisdiction: s. Ins 40.19 of the Wisconsin Administrative Code requires that any person required to file consent under s. 617.11 (5) of the Wisconsin Statutes shall do so using the Consent to Jurisdiction statement found at the end of Chapter 40 of the Wisconsin Administrative Code. **Please submit a “Consent to Jurisdiction” statement (completed and signed by a representative of Aetna Inc.).**
2. Recent Acquisitions by the Applicant: The Applicant has participated in several significant acquisitions over the last five years, including the acquisition of Coventry Health Care in 2013. **Please discuss whether any of these acquisitions triggered any legal action(s) under the Hart-Scott-Rodino (“HSR”) Amendments to the Clayton Act, and if so, please discuss how these actions were resolved (including any required divestitures).**
3. Organizational Documents – Humana LLC: The Acquisition Agreement states that after the second merger, Humana LLC will become the surviving company. **Please provide a copy of the proposed Certificate of Formation and Limited Liability Company Agreement for Humana LLC.**
4. Opinion of Financial Advisor: Article 4.28 of the Acquisition Agreement states: “The Board of Directors of the company has received the oral opinion (to be confirmed by delivery of a written opinion promptly after hereof) of Goldman, Sachs & Co., financial advisor to the Company, to the effect that, as of the date of this Agreement, the Merger Consideration to be paid to the Company’s stockholders pursuant to this Agreement is fair from a financial point of view to such stockholders. **Please provide a copy of Goldman, Sachs & Co.’s written opinion as to the fairness of the merger consideration to the Company’s stockholders.**

5. Corporate Headquarters: Article 8.11 (b) of the Acquisition Agreement states: "Following the First Merger Effective Time, Parent and its Subsidiaries shall maintain the corporate headquarters of its Medicare and Medicaid businesses in Louisville, Kentucky, and Parent shall cause the Surviving Company to maintain a significant presence in Louisville, Kentucky." ***Please discuss whether the Applicant has any current or long-term plans to integrate or physically move any of Humana's key functional operations.***
6. Board Resolution – Humana Inc.: ***Please provide a certified copy of Humana Inc.'s Board Resolution recommending adoption of the Acquisition Agreement.***
7. Shareholder Resolution – Humana Inc.: ***Please provide a certified copy of the Humana Inc.'s Shareholder Resolution approving the Acquisition Agreement.***
8. Debt to Equity and Debt Service Coverage Ratios:
 - (a) Debt to Equity Ratio: ***Please discuss whether Aetna Inc. has a target threshold for this ratio. In addition, please provide Aetna Inc.'s projected Debt to Equity ratio for 2016 – 2018 (assuming the proposed transaction is completed).***
 - (b) Debt Service Coverage ("DSC") Ratio: ***Please discuss whether Aetna Inc. has a target threshold for this ratio. In addition, please provide Aetna Inc.'s DSC ratio for the last 5 years, as well as Aetna' Inc.'s projected DSC ratio for 2016 – 2018 (assuming the proposed transaction is completed).***
9. Nature, Source and Amount of Consideration: In the Form A, Item 4, it states: "Aetna expects to finance the cash portion of the Transaction with approximately \$3.4 billion of cash that is projected to be available at Aetna and Humana at the time of the First Merger closing, and by issuing approximately \$16 billion of new term loans, debt and commercial paper. Aetna will also assume, indirectly through Humana LLC...all of Humana's outstanding debt, which principal amount totals approximately \$3.8 billion. All of such foregoing debt, whether incurred as a result of the above financing, issuance of new term loans, debt and commercial paper by Aetna, or assumption by Aetna indirectly through Humana LLC off all of Humana's outstanding debt, will be the obligation of Aetna, and not an obligation of the Domestic insurers."

In addition, Section 5.27 of the Acquisition Agreement states: "Parent has delivered to the Company a complete and correct copy of a fully executed commitment letter from the Financing Sources (the "Debt Commitment Letters"), pursuant to which the Financing sources have committed to provide the debt financing described therein in connection with the transactions contemplated hereby. The financing contemplated pursuant to the Debt Commitment Letters is hereinafter referred to as the 'Debt Financing'." ***Please discuss:***

- (a) ***Is Aetna Inc. currently subject to any debt covenants which could be impacted by the proposed financing? If so, please discuss.***
 - (b) ***Will the stock of any Humana, LLC affiliate be pledged or encumbered pursuant to the 'Debt Financing' referenced in Section 5.27 of the Acquisition Agreement? If so, please discuss.***
 - (c) ***Please provide copies of the 'Debt Commitment Letters' referenced in Section 5.27 of the Acquisition Agreement.***
10. Target Level Capital and Surplus – Humana companies: ***Please discuss whether the Applicant is committed to maintaining a target level of capital and surplus for the Humana companies (i.e. – a threshold RBC ratio), and if so, what is the target ratio, and how will the Applicant ensure that the target level of capital and surplus is maintained?***

11. Enterprise Risk Management: *Please discuss whether the Applicant intends to integrate the Humana companies into its ERM program immediately following the proposed acquisition, and if so – will there be one risk oversight committee for the entire enterprise (including the Humana companies)?*
12. Hart-Scott-Rodino ("HSR") Anti-Trust: *Please provide copies of any correspondence (as such correspondence becomes available) between the Applicant and the Federal Trade Commission and the federal Department of Justice pertaining to the merger review process under the Hart-Scott-Rodino Act.*

Please feel free to call me at (608) 266-9896, or e-mail me if you have any questions.

Sincerely,



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