



DATE: January 6, 2022

TO: Amy J. Malm
Mark McNabb

FROM: Christopher Martin

SUBJECT: Form A - Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (Case No. 21-C44311).

Form A Filing Contact(s)

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Form A Exhibit(s)

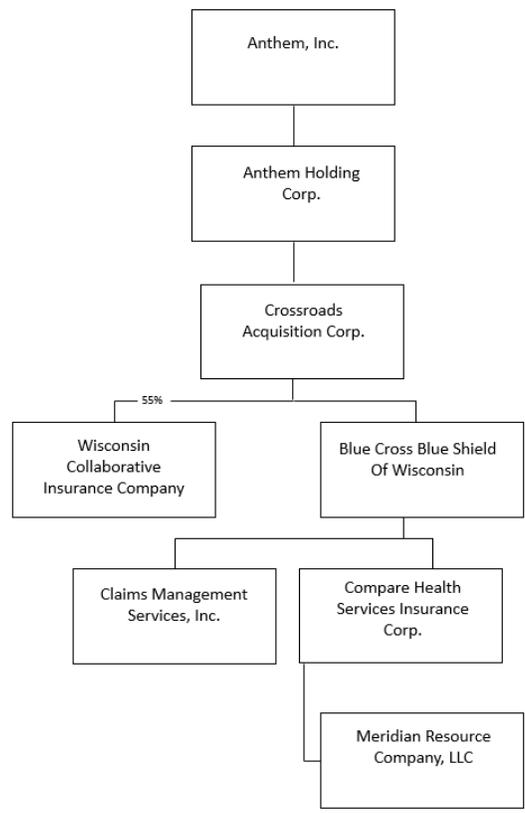
<u>Exhibit:</u>	<u>Description:</u>
Ex. 1	Purchase Agreement dated as of October 22, 2021, by and between Aurora and CAC [CONFIDENTIAL]
Ex. 2	Annual Report on Form 10-K of Anthem for the year ended December 31, 2020, filed with the Securities and Exchange Commission ("SEC") (includes audited financial statements for 2020 and 2019)
Ex. 3	Quarterly Report on Form 10-Q of Anthem for the period ended September 30, 2021 filed with the SEC
Ex. 4	Organizational charts for Anthem and its Wisconsin Affiliates [CONFIDENTIAL]

- Ex. 5 Annual Report on Form 10-K of Anthem for the year ended December 31, 2019, filed with the Securities and Exchange Commission (“SEC”) (includes audited financial statements for 2019 and 2018)
- Ex. 6 Annual Report on Form 10-K of Anthem for the year ended December 31, 2018, filed with the Securities and Exchange Commission (“SEC”) (includes audited financial statements for 2018 and 2017)
- Ex. 7 Annual Report on Form 10-K of Anthem for the year ended December 31, 2017, filed with the Securities and Exchange Commission (“SEC”) (includes audited financial statements for 2017 and 2016)
- Ex. 8 Three-Year Financial Projections of WCIC (submitted confidentially under separate cover)
[CONFIDENTIAL]
- Ex. 9 2020 Summary Annual Report of WCIC
- Ex. 10 2019 Summary Annual Report of WCIC

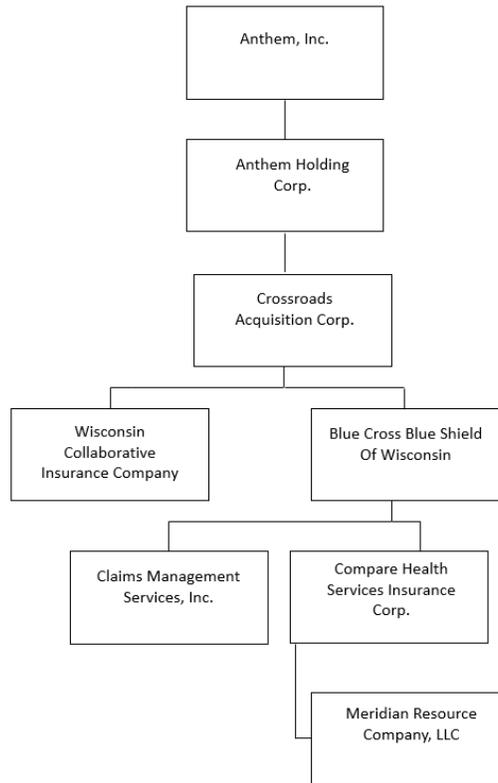
Executive Summary

On October 29, 2021, Anthem, Inc., an Indiana corporation (“Anthem”), in connection with the proposed sale, by Aurora Health Care, Inc., a Wisconsin non-stock corporation (“Aurora”), of forty-five (45%) of the stock of Wisconsin Collaborative Insurance Company, a Wisconsin stock insurance company (“WCIC”), to Crossroads Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Anthem (“CAC”, the “Applicant”), pursuant to a stock purchase agreement dated October 22, 2021 (the “Purchase Agreement”) a Form A filing was submitted. As of the date of the filing of the Form A, CAC owns fifty-five percent (55%) of the stock of WCIC. The proposed sale would constitute a change of control of WCIC.

Organizational Chart Before Proposed Transaction:



Organizational Chart After Proposed Transaction:



Identity and Background of the Domestic Insurers

Identity of the Domestic Insurers:

Wisconsin Collaborative Insurance Company

N17 W24340 Riverwood Drive
Waukesha, Wisconsin 53188

Background of the Domestic Insurers:

WCIC is licensed as a domestic health maintenance organization in Wisconsin. WCIC was incorporated on March 31, 2016 and was issued its license to write disability insurance on April 19, 2016. All of the stock of WCIC owned by Aurora, which is 675,000 shares of Series A common stock, par value \$1.00 per share and 675,000 shares of Series B common stock, par value \$1.00 per share, will be acquired by CAC in accordance with the Purchase Agreement. CAC will, by virtue of the purchase, increase its ownership of WCIC from 55% to 100% of the stock, and Anthem will, by virtue of the purchase, acquire the sole ultimate control of WCIC.

Identity and Background of the Applicants

Identity of the Applicants:

Anthem, Inc.

220 Virginia Avenue
Indianapolis, Indiana 46204

Crossroads Acquisition Corp.
220 Virginia Avenue
Indianapolis, Indiana 46204

Background of the Applicant:

Anthem, Inc.

Anthem, and its subsidiaries, including CAC, is a health benefits company in the United States serving approximately 45 million members through its affiliated health plans. Anthem is an independent licensee of the Blue Cross and Blue Shield Association. Anthem is licensed to conduct insurance operations in all 50 states, the District of Columbia and Puerto Rico, through its subsidiaries.

Crossroads Acquisition Corp.

CAC is a corporation that was formed and incorporated under Delaware law in 2003. CAC is and has been a wholly owned subsidiary of Anthem since its incorporation. It serves as an acquisition company and has no other business operations of its own. CAC intends to continue serving as an acquisition company in the future.

Directors and Executive Officers of Anthem, Inc.

<u>Name</u>	<u>Title</u>
Gail Kosiara Boudreaux*	President, CEO, and Director
Jamie Burnett*	Associate General Counsel and Assistant Corporate Secretary
Ronald Clark*	Director
Susan DeVore*	Director
Robert Dixon, Jr.*	Director
John Gallina*	Executive Vice President and Chief Financial Officer
Luis Hay, III*	Director
Gloria McCarthy	Executive Vice President and Chief Administrative Officer
Antonio Neri*	Director
Ronald Penczek*	Senior Vice President, Chief Accounting Officer, and Controller
Ramiro Peru*	Director
Ryan Schneider*	Director
Leah Stark*	Executive Vice President and Chief Human Resources Officer
Elizabeth Tallett*	Director and Independent Chair of the Board
Blair Todt*	Executive Vice President and Chief Legal Officer

Directors and Executive Officers of Crossroads Acquisition Corp.

<u>Name</u>	<u>Title</u>
Paul Christopher Nobile*	President and Director
Ronald William Penczek*	Director
Jay Harry Wagner*	Director
Kathleen Susan Kiefer*	Secretary
Vincent Edward Scher*	Treasurer
Karen Elizabeth Geiger-Niedfeldt*	Assistant Secretary
Eric Kenneth Noble*	Assistant Treasurer

Directors and Executive Officers of Wisconsin Collaborative Insurance Company

<u>Name</u>	<u>Title</u>
Paul Christopher Nobile*	President and Chief Executive Officer
Jan Persinger	Chief Executive Officer
Kathleen Susan Kiefer*	Secretary
Vincent Edward Scher*	Treasurer
Jennifer Lynn Forsythe*	Assistant Secretary
Karen Elizabeth Geiger-Niedfeldt*	Assistant Secretary

Note: * following an individual's name indicates that the biographical affidavit was provided for the individual and there are no outstanding significant concerns after OCI review.

During the review, Anthem determined that Jan Persinger would no longer act as the CEO of WCIC. Since she would at no time have control of the company, no biographical affidavit was provided. In addition to removing Jan Persinger, Karen Geiger-Niedfeldt will take the place of Assistant Secretary, from Jennifer Forsythe, and Paul Nobile will be acting as President and Chief Executive Officer.

Nature, Source, and Consideration

All WCIC stock currently owned by Aurora, 675,000 class A \$1.00 par value shares and 675,000 class B \$1.00 par value shares, will be acquired by CAC according to the purchase agreement. This will increase the CAC ownership of WCIC from 55% to 100% of the stock. Anthem, as the parent of CAC, will by virtue of the purchase acquire sole ultimate control of WCIC.

As described in the purchase agreement, CAC will pay the total purchase price of the shares in order to acquire the remaining 45% of WCIC shares. The purchase price will be paid with available cash on hand and no portion of the financing will be contingent on CAC obtaining financing. The Applicant states that they performed a customary due diligence investigation and reviewed the financial statements, operations, and legal documents of WCIC. They also added that the basis and terms of the purchase resulted from arms length negotiations between the respective management and representatives of CAC and Aurora. Both the Applicant and Domestic Insurer's board of directors approved the transaction included in the purchase agreement subsequent to the due diligence review.

Applicants Future Plans

As noted in the Form A, the Applicant has no present plans to cause WCIC to declare any extraordinary dividend, to liquidate WCIC, to sell or pledge WCIC's stock or any of its assets, or to merge or consolidate it with any person or persons. The Applicant intends for WCIC to continue its offering of disability insurance as a health maintenance organization in Wisconsin.

Financial Highlights

Highlighted Financial Data of the Applicant:

Financial Highlights (in millions)	Unaudited		Consolidated Financial Statement			
	Q3 2021	2020	2019	2018	2017	2016
Total Assets	98,060	86,615	77,453	71,571	70,540	65,083
Total Liabilities	62,252	53,416	45,725	43,030	44,037	39,983
Total Equity	35,737	33,199	31,728	28,541	26,503	25,100
Total Revenue	102,058	121,867	104,213	92,105	90,040	84,863
Net Income	4,970	4,572	4,807	3,750	3,843	2,470
Net Cash Provided by Operating Activities	6,692	10,688	6,061	3,827	4,185	3,270

Financial Projections of the Domestic Insurer:

The financial projections of the Domestic Insurer are confidential. OCI reviews these projections as part of the Form A review process.

611.72 (3) Standard

Wisconsin Statute s. 611.72(3)(am) creates a five-part test for the Commissioner to use when evaluating the merger or acquisition of a domestic stock insurance company. It reads, in relevant part:

(am) The commissioner shall approve the plan if the commissioner finds...that it 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 and that:

1. After the change of control, the domestic stock insurance corporation or any domestic stock insurance corporation controlled by the insurance holding corporation would be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed;
2. The effect of the merger or other acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in this state;
3. The financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic stock insurance corporation or its parent insurance holding corporation, or prejudice the interests of its Wisconsin policyholders;
4. The plans or proposals which the acquiring party has to liquidate the domestic stock insurance corporation or its parent insurance holding corporation, sell its assets, merge it with any person or make any other material change in its business or corporate structure or management, are fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest; and
5. The competence and integrity of those persons who would control the operation of the domestic stock insurance corporation or its parent insurance holding corporation are such that it would be in the interest of the policyholders of the corporation and of the public to permit the merger or acquisition of control.

These five requirements are analyzed below.

s. 611.72(3)(am)1: After reviewing the documents provided by the Applicant in their Form A filing, OCI Staff believes that the Applicants are able to satisfy s. 611.72(3)(am)1. In reaching this decision, OCI staff has relied heavily on the proposed business plan and financial projections.

s. 611.72(3)(am)2: OCI's determined that a Form E analysis was not necessary. OCI's examination of the potential competitive effects concluded that approving the acquisition would not violate the competitive standards set forth in s. Ins 40.025(4), Wis. Adm. Code.

s. 611.72(3)(am)3: Paragraph three requires that the financial condition of any acquiring party is not likely to jeopardize the financial stability of the domestic insurance corporation or its parent insurance corporation, or prejudice the interest of its Wisconsin policyholders. After reviewing the documents provided by the Applicants, the concern that affiliated non-insurance operations would jeopardize the financial condition is deemed minimal. OCI, however, will monitor compliance with s. 611.72(3)(am)3, Wis. Stat., going forward.

s. 611.72(3)(am)4: Paragraph four requires that the post-transaction plans to change the business structure be “fair and reasonable to policyholders of the domestic stock insurance corporation or in the public interest.” The Form A filing notes that the Applicants have no current plans or proposals to declare any extraordinary dividend, to liquidate the Domestic Insurer, or to sell the assets of the Domestic Insurer. Additional review of the filing by OCI staff do not indicate any significant changes to the operation of the Domestic Insurer. Compliance with s. 611.72(3)(am)4, Wis. Stat., is expected.

s. 611.72(3)(am)5: Paragraph 5 requires that OCI review the Biographical Affidavits of the proposed officers and directors of the Applicants. This review did not raise significant concerns.

Recommendation

The Acquisition of Control in the above-referenced Form A filing will not violate the law or be contrary to the interests of the insureds, and it does not meet any of the disqualifying criteria outlined in s. 611.72 (3), Wis. Adm. Code. Therefore, the transaction should be approved.