State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

***Scott Walker**, Governor*
***Theodore K. Nickel**, Commissioner*

Wisconsin.gov

125 South Webster Street • P.O. Box 7873
Madison, Wisconsin 53707-7873
Phone: (608) 266-3585 • Fax: (608) 266-9935
E-Mail: ociinformation@wisconsin.gov
Web Address: oci.wi.gov

DATE: **March 9, 2016 – PUBLIC**

TO: Rebecca Easland
Steve Caughill

FROM: Kristin Forsberg

SUBJECT: 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. ("Applicant")

Form A filing Contact:

Tim Farber, Attorney
Locke Lord LLP
111 South Wacker Drive
Chicago, IL 60606
Phone: (312) 443-0700
E-mail: tfarber@locklord.com

Form A Exhibits (filed with the Wisconsin OCI on August 4, 2015):

- Exhibit 1: Agreement and Plan of Merger dated as of July 2, 2015
- Exhibit 2: Current Organizational Chart of Humana 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 Organization Chart of Aetna and its Affiliates
- Exhibit 5-A: Item 1 of Aetna's 2014 Annual Report on Form 10-K
- Exhibit 5-B: Item 1 of Aetna's 2013 Annual Report on Form 10-K
- Exhibit 5-C: Item 1 of Aetna's 2012 Annual Report on Form 10-K
- Exhibit 5-D: Item 1 of Aetna's 2011 Annual Report on Form 10-K
- Exhibit 5-E: Item 1 of Aetna's 2010 Annual Report on Form 10-K
- Exhibit 6: Aetna's Quarterly Report on Form 10-Q for the QE March 31, 2015
- Exhibit 7: Biographical Affidavits **[CONFIDENTIAL]**
- Exhibit 8-A: Humana's 2014 Annual Report to Stockholders
- Exhibit 8-B: Humana's 2013 Annual Report to Stockholders
- Exhibit 9-A: Aetna's 2014 Annual Report to Shareholders
- Exhibit 9-B: Aetna's 2013 Annual Report to Shareholders
- Exhibit 9-C: Aetna's 2012 Annual Report to Shareholders
- Exhibit 9-D: Aetna's 2011 Annual Report to Shareholders
- Exhibit 9-E: Aetna's 2010 Annual Report to Shareholders
- Exhibit 10: Financial Projections of the Domestic Insurers **[CONFIDENTIAL]**
- Exhibit 11: Aetna Form 8-K filed July 6, 2015

Background

Parties to the Transaction:

The Acquirer/Applicant:

- Aetna Inc. ("Applicant" or "Aetna"): The Applicant is located in Hartford, CT. Aetna Life Insurance Company was organized in 1850 as an annuity fund to sell life insurance. In 1899, it became one of the first stock insurance companies in the nation to offer health insurance.

  Today, Aetna is a fortune 100 company, trading on the NYSE under ticker symbol "AET", and is the ultimate parent company in the Aetna holding company group. Through its subsidiaries, Aetna is one of the leading providers of employee health insurance and related benefits in the U.S., with over 23.7 million members as of March 31, 2015.

  Aetna's operations are conducted in three business segments – Health Care, Group Insurance and Large Case Pensions, as discussed below:

  - Health Care: Aetna's health care products consist of medical, pharmacy benefit management services, dental, behavioral health and vision plans, and services that complement Aetna's medical products. The primary commercial health products are POS, PPO, HMO and indemnity plans.

    Aetna's principal products and services are targeted specifically to large multi-site national, mid-sized and small employers. [Aetna's Commercial program also serves individual insureds and expatriates.]

    In addition to its primary commercial health care products, in select geographies, Aetna also offers Medicare Advantage plans, Medicare Supplement plans, and prescription drug coverage for Medicare beneficiaries and participants in Medicaid and the state-subsidized Children's Health Insurance Programs ("CHIP"). Beginning in 2014, Aetna also participates in the Duals demonstration products in certain states.

    [Note: The Form A indicated that Aetna is seeking to substantially grow its Medicare, Medicaid and Duals business over the next several years.]

  - Group Insurance: Aetna's group insurance products include life, disability, and long-term care insurance. [The long-term care business consists of an in-force block of long-term care customers. Aetna no longer solicits or accepts new long-term care business.]

  - Large Case Pensions: This segment manages a variety of retirement products (including pension and annuity products) primarily for tax-qualified pension plans. [Aetna does not actively market large case pension products, but continues to accept deposits from existing customers and manage the run-off of its existing business.]

  In addition to the proposed transaction, Aetna has been involved in several strategic acquisitions in recent years, as discussed below:

  - bSwift (November 2014): bSwift provides a technology platform that offers a retail shopping experience for health insurance exchanges and employees nationwide and provides benefit administration technology and services to employers. The purchase price was approximately $400 million.

  - InterGlobal (April 2014): InterGlobal specializes in international private medical insurance for individuals and groups in the Middle East, Asia, Africa and Europe.

- ➢ Coventry Health Care (May 2013): This transaction, which added nearly 4 million medical members and 1.5 million Medicare Part D members, complemented Aetna's existing business with Medicare Advantage, Medicare Part D, Medicaid managed care, as well as middle markets, small group, and individual commercial business. The purchase price was approximately $8.7 billion (including the assumption of Coventry's long-term debt).

- ➢ Medicity, Prodigy Health Group ("Prodigy"), and PayFlex Holdings ("PayFlex") (2011): Medicity is a health information exchange company with over 250,000 end users. Prodigy was one of the largest third party administrators (TPAs) of self-funded health care plans with operations in 15 states. PayFlex is a provider of web-based benefit administration services offering consumer-based products.

The Party to be Acquired (directly):

- **Humana Inc. ("Humana"):** Humana, located in Louisville, KY, was organized, through an indirect predecessor corporation, as a nursing home company in 1961, and by 1968, became one of the largest nursing home companies in the United States, operating under the name "Extendicare Inc.". In 1972, Humana's founders sold the nursing home chain in order to focus on purchasing hospitals, and in 1974, the corporate name was changed to "Humana, Inc.". Over the next decade, Humana grew to become one of the largest hospital companies in the world. During the 1980s, Humana created its own health insurance plan, and in 1993, spun-off its hospital operations in order to focus on its managed healthcare plans (HMOs and PPOs).

  Today, Humana is a Fortune 100 company, trading on the NYSE under the ticker symbol "HUM", and is the ultimate parent company in the Humana holding company group. Through its subsidiaries, Humana is one of the leading health insurers in the United States, with approximately 14.8 million members in its medical benefit plans, as well as approximately 7.2 million members in specialty products, as of December 31, 2015.

  A substantial portion of Humana's revenues are derived from federal and local government agencies, including: TRICARE, Medicare and Medicaid. Humana's commercial market membership (approximately 60%) is heavily concentrated in the following states: Florida, Kentucky, Texas, Illinois, Ohio and Wisconsin.

  Like Aetna, Humana has been involved in several strategic acquisitions in recent years, as discussed below:

  - ➢ American Eldercare, Inc. (September, 2013): On September 6, 2013, Humana acquired American Eldercare Inc., the largest provider of nursing home diversion services in the State of Florida (serving frail and elderly individuals in home and community-based settings).

  - ➢ Metropolitan Health Networks, Inc. ("Metropolitan") (December, 2012): On December 21, 2012, Humana acquired Metropolitan, an integrated delivery system that provides and coordinates medical care for approximately 87,500 Medicare Advantage, Medicaid and other beneficiaries (primarily in Florida). Humana issued $1 billion of debt to finance the transaction.

  - ➢ MCCI Holdings, LLC ("MCCI") (October, 2012): In October of 2012, Humana acquired a non-controlling equity interest in MCCI, an ASO headquartered in Miami, FL, that coordinates medical care for Medicare Advantage and Medicaid beneficiaries primarily in Florida and Texas.

  - ➢ SeniorBridge Family Companies, Inc. ("SeniorBridge") (July, 2012): In July of 2012, Humana acquired SeniorBridge, a chronic-care provider for seniors.

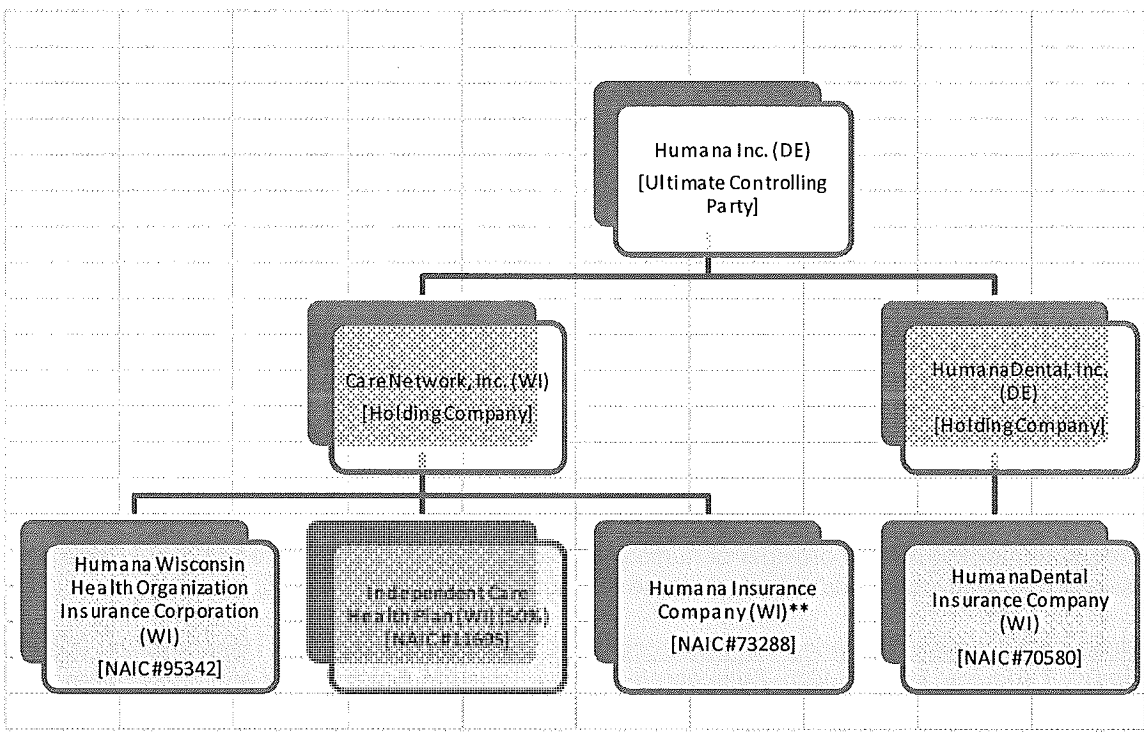
- ➢ Arcadian Health Plan, Inc. ("Arcadian") (March, 2012): In March of 2012, Humana acquired Arcadian, a Medicare Advantage HMO serving members in 15 states.[1]

- ➢ Concentra Inc. ("Concentra") (December, 2010): In December of 2010, Humana acquired Addison, TX-based Concentra for approximately $790M. Concentra operates more than 330 medical centers in 40 states, and focuses primarily on occupational health, physical therapy, health and wellness, urgent care and primary care. Humana subsequently sold Concentra, effective June 1, 2015.

- ➢ KMG America Corporation ("KMG America") (November 2007): In November of 2007, Humana acquired KMG America, a voluntary health, life and disability benefits organization.

- ➢ CompBenefits Corporation ("CompBenefits") (October, 2007): In October of 2007, Humana acquired CompBenefits, which added a dental HMO, a dental EPO, as well as a full-service vision benefits product to Humana's specialty offerings.

The Wisconsin Domestic Insurers to be Acquired (indirectly) [Collectively, the "Wisconsin Domestic Insurers"]: Below is an abbreviated organizational chart showing how the Wisconsin Domestic Insurers fit into the Humana holding company system:



**The following insurance subsidiaries are wholly-owned by Humana Insurance Company:

- ➢ Humana Employers Health Plan of Georgia, Inc. (GA)
- ➢ Humana Insurance Company of Kentucky (KY)
- ➢ Humana Health Benefit Plan of Louisiana, Inc. (LA)

---

[1] According to A.M. Best, in order to obtain antitrust approval in connection with the Arcadian acquisition, Humana entered into a consent agreement with the United States Department of Justice, which required the divestiture of overlapping Medicare Advantage health plan business in eight areas within Arizona, Arkansas, Louisiana, Oklahoma, and Texas.

The Wisconsin Domestic Insurers:

- Humana Insurance Company: Humana Insurance Company ("HIC") is a Wisconsin-domiciled for-profit life and health insurer licensed under Chapter 611 of the Wisconsin Statutes. Operating and licensed in 49 states and the District of Columbia, HIC offers a broad range of employee benefit products, including group health and life, dental, vision, voluntary benefits, and disability income insurance. HIC also offers Medicare Advantage and Medicare Prescription Drug plans to eligible individuals, an administrative service only (ASO) product (to self-insured employee health plans), and a HumanaOne product, which is marketed to the individual major medical and individual life markets. HIC offers standalone dental products on the individual public market exchange in the State of Wisconsin through the Affordable Care Act ("ACA").

- HumanaDental Insurance Company: HumanaDental Insurance Company ("HDIC") is a Wisconsin-domiciled for-profit life and health insurer licensed under Chapter 611 of the Wisconsin Statutes. Operating and licensed in 49 states and the District of Columbia, HDIC offers dental and vision products (which are marketed primarily to employer groups).

- Humana Wisconsin Health Organization Insurance Corporation: Humana Wisconsin Health Organization Insurance Corporation ("HWHO") is a Wisconsin-domiciled for-profit health maintenance organization (HMO) licensed under Chapter 611 of the Wisconsin Statutes. In addition to operating in Wisconsin, HWHO became licensed to write business in the following states beginning in 2015: Delaware, Kentucky, Montana, New Jersey, Rhode Island, and Virginia. In addition to marketing HMO products to employer and other groups, HWHO offers a Medicare Advantage plan to eligible individuals.

- Independent Care Health Plan: Independent Care Health Plan ("I-Care") is a Wisconsin-domiciled for-profit health maintenance organization (HMO) licensed under Chapter 611 of the Wisconsin Statutes. Formed in 2003, I-Care is a joint venture between CareNetwork, Inc. and Centers of Excellence, Inc. I-Care offers a comprehensive health and social services program for individuals ages 19 and over with special needs who receive both Medicaid and Supplemental Social Security Income (SSI) benefits. As of December 31, 2014, I-Care was licensed in two (2) states (Wisconsin and Illinois), but currently writes business only in the State of Wisconsin.

Proposed Transaction:

The Applicant intends to acquire control of Humana in accordance with the terms and conditions of the Agreement and Plan of Merger dated July 2, 2015 ("Acquisition Agreement") by and between Aetna Inc., Echo Merger Sub, Inc. ("Merger Sub 1"), Echo Merger Sub, LLC ("Merger Sub 2"), and Humana Inc. [Since Humana indirectly owns 100% of HIC, HDIC, HWHO, and 50% of I-Care, the proposed transaction will result in a change of control of the Wisconsin Domiciled Insurers.] As stated in the Form A, Item 1:

> "The Applicant proposes to acquire control of the Domestic Insurers in connection with its acquisition of Humana (the "Transaction"). Specifically, the Transaction contemplates that Echo Merger Sub, Inc., a direct wholly-owned subsidiary of Aetna established specifically for the Transaction ("Merger Sub 1"), will merge with and into Humana (the "First Merger"). As a result of the First Merger, Humana (as 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 (the "Second Merger") with and into Echo Merger Sub, LLC, a direct wholly-owned subsidiary of Aetna established specifically for the Transaction, with Echo Merger Sub, LLC remaining 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."[2]

The parties intend to close the Transaction as soon as practicable following the receipt of all necessary regulatory approvals and the satisfaction of the other closing conditions. According to the Form A, Item 1, the Applicant believes the Transaction will benefit the members and insureds of Aetna and Humana, as well as the insurance buying public in general. Below are some of the benefits cited by the Applicant in support of the proposed acquisition:

- Complementary Capabilities: The Transaction will bring together complementary capabilities: Humana's Medicare Advantage focus, and Aetna's Commercial presence, thus allowing the combined parties to become more competitive in the Medicare Advantage and Commercial markets.

- Promote High Quality Health Care: Both parties have longstanding commitments to promoting wellness, health and access to high-quality health care for everyone, while supporting the communities they serve. Both organizations are rated four Stars or higher by the Centers for Medicare & Medicaid Services.

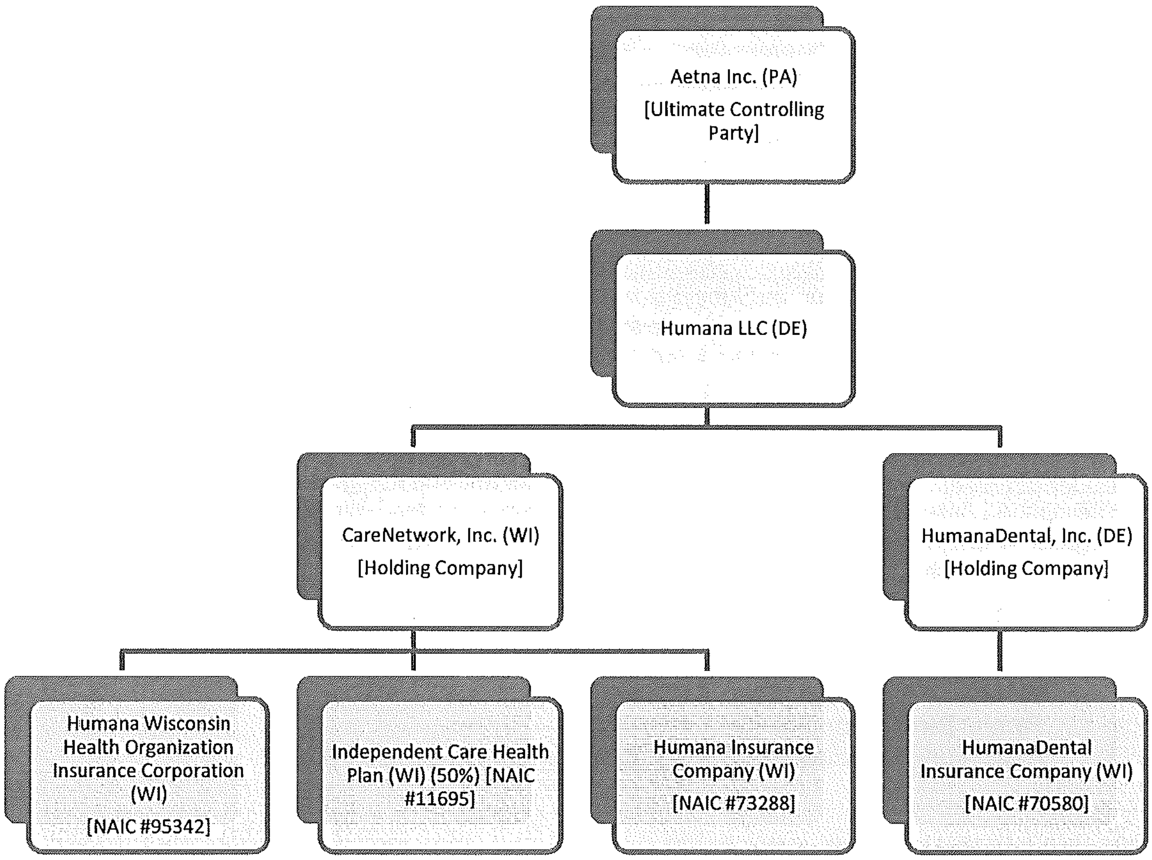
- Reduce Costs: The transaction will serve to reduce costs, which will enable the combined organization to offer more competitive products to consumers.

- Improve Provider and Consumer Relationships: The Transaction will improve relationships with providers by combining clinical intelligence, value-based reimbursement models, data integration and analytics solutions from both organizations. In addition, the transaction will build on each organization's respective efforts to improve their clinical engagement and consumer experience capabilities.

[2] The Transaction is subject to the prior satisfaction of certain conditions, including the approval of the Acquisition Agreement by Humana's stockholders, approval of the issuance of Aetna's common shares to Humana's stockholders, approval of the issuance of Aetna's common shares to Humana's stockholders by Aetna's stockholders, expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), and receipt of all specified regulatory approvals (including approvals from all applicable Form A and Form E state regulators). [The condition of shareholder approval was satisfied in October 2015 when the shareholders of both companies approved the transaction.]

Organizational Chart – Post-Acquisition:

Below is an abbreviated organizational chart showing how the Wisconsin Domestic Insurers will fit-into the Aetna holding company structure following the closing of the Transaction:



Note: Per the Pro Forma Organizational Chart (Exhibit 4-B), there were no changes to the reporting relationships of any of the Aetna companies post-Transaction.

Form A Filing – Summary

Item 1: Method of Control

The Applicant intends to acquire control of Humana in accordance with the terms and conditions of the Agreement and Plan of Merger dated July 2, 2015 ("Acquisition Agreement") by and between Aetna Inc. ("Parent"), Echo Merger Sub, Inc. ("Merger Sub 1"), Echo Merger Sub, LLC ("Merger Sub 2"), and Humana Inc. ("Company"). Material terms of the Acquisition Agreement are summarized below:

Acquisition Agreement - Material Terms:

Article 8: Covenants of the Parent and the Company

- 8.11 (b) – Governance Matters – Corporate Headquarters: Following the First Merger Effective Time, Parent [Aetna Inc.] and its Subsidiaries shall maintain the corporate headquarters of its Medicare and Medicaid businesses in Louisville, Kentucky, and Parent shall cause the Surviving Company [Humana LLC] to maintain a significant presence in Louisville, KY.

Article 10: Termination

- 10 – Termination: This Agreement may be terminated and the Mergers and other transactions contemplated hereby may be abandoned at any time prior to the First Merger Effective Time: (a) by mutual written agreement of the Company and Parent; or (b) by either the Company or the Parent, if: The Mergers have not been consummated on or before June 30, 2016 (such date may be extended to December 31, 2016).

  Termination Fees:
  (i) Company Termination Fee: $1,314,000,000
  (ii) Parent Termination Fee: $1,691,000,000
  (iii) Regulatory Termination Fee (Parent to Company): $1,000,000,000

Item 2: Identity and Background of the Applicant

The name and business address of the Applicant is:

Aetna Inc.
151 Farmington Avenue
Hartford, CT 06156-3124

Exhibit 4-A is an organizational chart as of June 30, 2015 presenting the identities and interrelationships among the Applicant and all affiliates of the Applicant. The following subsidiaries of the Applicant are licensed as insurance companies in the State of Wisconsin:

- Aetna Life Insurance Company
- Aetna Health and Life Insurance Company
- Aetna Insurance Company of Connecticut
- Aetna Health Insurance Company
- American Continental Insurance Company
- Continental Life Insurance Company of Brentwood, Tennessee
- Coventry Health and Life Insurance Company
- First Health Life & Health Insurance Company

According to the Applicant, there are currently no court proceedings involving a reorganization or liquidation pending with respect to Aetna or any other entity identified on Exhibit 4-A.

Item 3: Identify and Background of Individuals Associated with the Applicant

Officers and Directors:
A list setting forth the names and business addresses of the current directors and executive officers of the Applicant was included as Exhibit 3. Following the close of the Transaction, Mark Bertolini (CEO of Aetna Inc.) will serve as the Chairman and CEO of the combined company, and the Applicant's Board of Directors will be expanded (to include four Humana directors who are independent with respect to Aetna and jointly designated by Humana and Aetna).

The Form A stated that, to the best of Aetna's knowledge, information and belief, no director or executive officer of the Applicant identified on Exhibit 3 has been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years.

Biographical Affidavits (Exhibit 7) were reviewed for the current Directors and Executive Officers of Applicant as listed below. No exceptional responses requiring further comment were noted.

Ownership:
The Form A stated that, to the best of Aetna's knowledge, based on information provided to Aetna by its shareholders, there are no shareholders owning 10% or more of any class of Aetna's voting securities or who will own 10% or more of any class of Aetna's voting securities following the closing of the Transaction.

Item 4: Nature, Source and Amount of Consideration

As described in the Acquisition Agreement and the Form 8-K, a copy of which is attached as Exhibit 1 and Exhibit 11 hereto, respectively, in consideration for the First Merger, each outstanding share of Humana's common stock (other than the shares held, directly or indirectly, by Humana or Aetna and other than those shares with respect to which appraisal rights are properly exercised) will be converted into the right to receive (i) 0.8375 shares of Aetna's common stock and (ii) $125.00 in cash, without interest. 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, the Surviving Company of the Second Merger, 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 of all of Humana's outstanding debt, will be the obligation of Aetna or Humana LLC, and not an obligation of the Domestic insurers. The total dollar value of the Transaction is approximately $37 billion, based on the closing price of Aetna's common shares on the New York Stock Exchange on July 2, 2015.[3] [4]

---

[3] Per the Notes to Aetna Inc.'s Quarterly Report on Form 10-Q for the Quarter ended March 31, 2015 (p. 48 – "Other Liquidity Information"): "Our debt to capital ratio (calculated as the sum of all short- and long-term debt outstanding ("total debt") divided by the sum of total Aetna shareholders' equity plus total debt) was approximately 35% at March 31, 2015. Our existing ratings and outlooks from the nationally recognized statistical ratings organizations that rate us include the consideration of our intention to maintain our debt to capital ratio at approximately 35%. We continually monitor existing and alternative financing sources to support our capital and liquidity needs, including, but not limited to, debt issuance, preferred or common stock issuance, reinsurance and pledging or selling of assets."

According to the Applicant's response to OCI's 8-25-15 application follow-up letter: "The debt-to-capital ratio is projected to be approximately 46% at the closing of the transaction. Aetna is committed to maintaining solid Investment Grade ratings and reducing its debt-to-capital ratio below 40%within 24 months of the closing of the transaction (that is, by June 2018 assuming the transaction closes in June 2016). Consistent with these targets, Aetna announced its intent to suspend share repurchases six months post-close, and not to increase its current shareholder dividend level until Aetna reaches its leverage commitment. Aetna's long-term leverage target remains ~ 35%."

Closing Conditions: The Closing of the Transaction is conditioned upon the expiration or termination of the applicable waiting periods under the HSR Act, and other customary closing conditions (including the approval of this Form A filing). The parties to the Acquisition Agreement intend to close the Transaction as soon as practicable following receipt of these approvals and the satisfaction of the other closing conditions.

Criteria Used in Determining the Nature, and Amount of Consideration: 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 the Applicant and Humana.

Board/Stockholder Approval: The respective boards of directors of Aetna Inc. and Humana Inc. unanimously approved the Transaction. The stockholders of both companies voted overwhelmingly to approve the transaction on October 19, 2015.

Item 5: Applicant's Future Plans for the Insurer

Aetna stated in the Form A that it has no present plans or proposals following the closing of the Transaction to cause the Domestic Insurers to declare any extraordinary dividend, to liquidate the Domestic Insurers, to sell any material portion of the assets of the Domestic Insurers, to merge it with any other person or persons, or to make any other material change in the Domestic Insurers' business, corporate structure, management, or general plan of operations.

Following the closing of the Transaction, the Domestic Insurers will maintain their separate corporate existence, and will be indirect wholly-owned subsidiaries of Aetna (except for Independent Care Health Plan, 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 are currently planned as part of the Transaction or immediately after the Transaction other than to replace any current Board member or employees who resign following the closing of the Transaction.

Item 6: Voting Securities to Be Acquired

As previously discussed, Aetna plans to acquire control of the Domestic Insurers through the acquisition of 100% of the issued and outstanding capital stock of Humana, the Domestic Insurers' ultimate parent company. Upon and following completion of the Transaction, Aetna will indirectly own and control all of the shares of the Domestic Insurers' issued and outstanding capital stock.

Item 7: Ownership of Voting Securities

Neither the Applicant, its affiliates, nor any person identified in Exhibit 3, currently beneficially owns any voting securities of the Domestic Insurers or, except as contemplated by the Acquisition Agreement, has any right to acquire beneficial ownership of any voting security issued by the Domestic Insurers.

---

[4] According to the applicant's response to OCI's 8-25-15 application follow-up letter, Aetna Inc. is not currently subject to any debt covenants which could be impacted by the proposed financing. In addition, the Applicant asserted that no stock of any Humana, LLC affiliate will be pledged or encumbered pursuant to the 'Debt Financing' arrangements discussed in Section 5.27 of the Acquisition Agreement.

Item 8: Contracts, Arrangements, or Understandings with Respect to Voting Securities of the Insurer

Other than as contemplated by the Acquisition Agreement, there are no contracts, arrangements or understandings, whether oral or written, with respect to any voting security issued by the Domestic Insurers in which Aetna, any affiliate of Aetna, or any person identified on Exhibit 3 is involved.

Item 9: Recent Purchases of Voting Securities

During the past twelve (12) calendar months preceding the filing of this Statement, neither the Applicant, its affiliates, nor any person identified on Exhibit 3 has purchased any voting securities of the Domestic Insurers.

Item 10: Recent Recommendations to Purchase

Neither the Applicant, its affiliates, any person identified on Exhibit 3, nor anyone else based upon interviews or at the suggestion of the Applicant, its affiliates or any person identified on Exhibit 3, made any recommendations to purchase any voting security of the Domestic Insurers during the twelve (12) calendar months preceding the filing of this statement.

Item 11: Agreements with Broker-Dealers

Neither Aetna nor any of its affiliates nor any person identified on Exhibit 3 has or will have any contract, understanding or agreement with any broker-dealers as to the solicitation of any voting security for tender issued by the Domestic Insurers.

Financial Trend (Applicant)

The Audited Consolidated Financial for Aetna Inc. and Subsidiaries were reviewed for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. Below is a summary of key financial data (including unaudited data from the Consolidated Financial Statements for Aetna Inc. and Subsidiaries for the quarter ended September 30, 2015).

Aetna Inc. - Consolidated Financial Trend Analysis

	Financial Highlights (in millions):					
	Form 10-Q	**Annual Report**				
	9/30/2015	**2014**	**2013**	**2012**	**2011**	**2010**
Total Revenue	45,288.0	58,003.2	47,294.6	36,599.8	33,779.8	34,246.0
Total Benefits and Expenses	41,636.9	54,503.3	44,354.1	34,052.5	30,702.0	31,601.8
Net Income attributable to Aetna	2,069.4	2,040.8	1,913.6	1,657.9	1,985.7	1,766.8
Total Current Assets	12,347.3	11,764.0	9,611.9	8,244.4	5,890.0	6,994.2
Total Assets	53,478.4	53,402.1	49,764.8	41,494.5	38,593.1	37,739.4
Total Current Liabilities	15,152.1	15,356.5	12,473.0	8,487.6	8,522.2	8,736.9
Total Debt (Long and Short Term)	7,834.0	8,581.3	8,252.6	6,481.3	4,403.6	4,382.5
Total Liabilities	37,545.9	38,850.3	35,686.6	31,088.7	28,472.9	27,848.6
Total Aetna Shareholders' Equity	15,868.8	14,482.6	14,025.5	10,405.8	10,120.2	9,890.8
Net Cash from Operating Activities	2,755.6	3,372.8	2,278.7	1,824.9	2,507.8	1,412.1
Key Ratios:						
Current Ratio	0.81	0.77	0.77	0.97	0.69	0.80
Debt to Capital*	33%	37%	37%	38%	30%	31%

*Per the Notes to Finanical Statements (9/30/15): "[Aetna's] debt to capital ratio...was approximately 33% at September 30, 2015. At the completion of the proposed acquisition of Humana, we project our debt to capital ratio will be approximately 46% as we expect to issue approximately $16.2 billion of new debt, including senior notes, term loans and commercial paper, to partially finance the cash portion of the purchase price. Following the announcement of the proposed acquisition of Humana in July 2015, each of Standard & Poor's, A.M. Best, Fitch and Moody's placed certain of our debt, financial strength and other credit ratings under review for a possible downgrade. We project that our debt to capital ratio will decrease below 40% over the 24 months following the completion of the acquisition."

MD&A Highlights - Health Care Segment:

2014 Annual Report: In 2014, operating earnings increased compared to the corresponding period in 2013, primarily due to the May 2013 acquisition of Coventry, as well as higher underwriting margins in both the Government and Commercial businesses (partially offset by increased spending to support growth initiatives). Commercial premiums were $4.1B higher than in 2013, primarily as a result of higher membership in the Commercial Insured business, the effects of pricing actions to recover fees and taxes mandated by the ACA, higher premium rates, and the full-year impact of the Coventry acquisition. Government premiums were $5.8B higher than in 2013, primarily as a result of membership growth in both the Medicare and Medicaid Insured products, as well as the full-year impact of the Coventry acquistion.

Financial Projections (Wisconsin Domestic Insurers)

[redacted]

[redacted]

[redacted]

Wisconsin Specific Requirements

The following checklist addresses the requirements of s. 611.72 (3) (am), Wis. Stat. (Grounds for Disapproval):

a) 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.

Comments: Review of the Pro Forma financial statements for the Wisconsin Domestic Insurers did not raise any significant concerns regarding their ability to satisfy Wisconsin's licensure requirements.

b) The effect of the merger or other acquisition of control would not be to create a monopoly or substantially lessen competition in insurance in this state.

Comments: Review of the Pre-Acquisition Notification Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition of the Wisconsin Domestic Insurers by Aetna Inc. did not identify any violations of the competitive standards set-forth in s. Ins 40.025 (4), Wis. Adm. Code for the Wisconsin market.

c) 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?

Comments: Review of the Form A raised concerns regarding the level of debt that would be incurred by Aetna Inc. post-transaction. As previously discussed, per the Notes to Aetna Inc.'s Quarterly Report on Form 10-Q for the Quarter ended March 31, 2015 (p. 48 – "Other Liquidity Information"), the Applicant stated: "Our debt to capital ratio (calculated as the sum of all short- and long-term debt outstanding ("total debt") divided by the sum of total Aetna shareholders' equity plus total debt) was approximately 35% at March 31, 2015. Our existing ratings and outlooks from the nationally recognized statistical ratings organizations that rate us include the consideration of our intention to maintain our debt to capital ratio at approximately 35%. We continually monitor existing and alternative financing sources to support our capital and liquidity needs, including, but not limited to, debt issuance, preferred or common stock issuance, reinsurance and pledging or selling of assets."

According to the Applicant's response to OCI's 8-25-15 application follow-up letter: "The debt-to-capital ratio is projected to be approximately 46% at the closing of the transaction. Aetna is committed to maintaining solid Investment Grade ratings and reducing its debt-to-capital ratio below 40%within 24 months of the closing of the transaction (that is, by June 2018 assuming the transaction closes in June 2016). Consistent with these targets, Aetna announced its intent to suspend share repurchases six months post-close, and not to increase its current shareholder dividend level until Aetna reaches its leverage commitment. Aetna's long-term leverage target remains ~ 35%."

The Applicant's ability to manage its debt-to-capital ratio, and bring this ratio down to at or below the target range (35%) within the prescribed timeframe, should be closely monitored if the proposed transaction is consummated.

d) 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.

Comments: Review of the Form A did not identify any discernible plans or proposals that would jeopardize the Wisconsin Domestic Insurers, their policyholders, or the public interest, provided that the suggested recommendations in the Conclusion section are followed.

It should be noted, however, that OCI did not have access to information on the competitive market impact of the proposed transaction outside of Wisconsin. As such, this Analysis does not conclude on the competitive market impact of the proposed transaction on policyholders of the Wisconsin Domestic Insurers residing outside of the State of Wisconsin.

In addition, the scope of this Analysis did not consider the impact of monopsony power (i.e. - the merged entity's ability to lower provider reimbursements below competitive levels, which could potentially harm consumers' access to health care services in specific markets). As noted by the U.S. DOJ and the Federal Trade Commission in *Improving Health Care: A Dose of Competition (2004)*: "Monopsony concerns can arise in health insurance mergers...determining the existence of monopsony power requires the Agencies and courts to look at other factors in addition to the health care insurer's market share." [5]

e) 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 policyholders of the corporation and of the public to permit the merger or acquisition of control?

Comments: Review of the Biographical Affidavits did not raise any concerns regarding the competence or integrity of the Officers and Directors of the Applicant.

****

Hearing Requirement: Per s. 611.72 (3m), Wis. Stat.: "A hearing is not required under sub. (3) Before approval of a proposed plan of merger or other plan for acquisition of control if the proposed merger is with, or the proposed acquirer is, an affiliate of the insurer and the proposed merger or other acquisition of control does not change the controlling person of the insurer." Is a hearing required for this filing? (Y/N)

Yes. The Applicant is not an affiliate of the Wisconsin Domestic Insurers, and the proposed transaction will result in indirect control of the Wisconsin Domestic Insurers.

****

Follow-up Items

The Applicant adequately addressed the issues identified in OCI's Application Follow-up Letters.

[5] Concerns with increased monopsony power were featured heavily in the DOJ Antitrust Division's challenges of two prominent mergers in the late 1990s: Aetna's acquisition of Prudential's health insurance assets, and Cargill's acquisition of Continental's grain trading division. Both transactions were approved subject to divestitures that addressed the competitive market concerns.

Reference: United States, et al. v. Aetna, Inc., et. al., No. 3-99CV1398 (N.D. Texas) (Complaint filed June 21, 1999), United States v. Cargill, Inc. et al., No. 1:99CV01875 (D.D.C.) (Complaint filed July 8, 1999).

Conclusion

Insurance is characterized as a business vested or affected with the public interest.[6] Thus, the business of insurance, although primarily a matter of private contract, is nevertheless of such concern to the public as a whole that it is subject to governmental regulation to protect the public's interest.[7] The proposed transaction was reviewed in light of this principle, as well as the criteria set-forth in s. 611.72 (3), Wis. Stat.

Based on the foregoing analysis, it is recommended that the proposed acquisition of the Wisconsin Domestic Insurers be approved pursuant to s. 611.72 (3), subject to the following terms and conditions:

(1) The Applicant shall immediately notify the OCI of any amendments to the Merger Agreement and file such amendments with the OCI within ten (10) days of the change. Further, should the U.S. Department of Justice impose any final written requirements upon the Applicant in regards to the proposed transaction, the Applicant shall notify the OCI within three (3) business days.

(2) The Applicant or Wisconsin Domestic Insurers shall submit to the OCI a copy of any filings submitted to the U.S. Securities and Exchange Commission regarding any lawsuits relating to the transactions contemplated in the Merger Agreement, within fifteen (15) days of submission of the same to the U.S. Securities and Exchange Commission.

(3) Because the consummation of the acquisition described herein is subject to obtaining appropriate regulatory approvals, including various state and federal agencies, in addition to satisfying other terms and conditions of the Merger Agreement. Accordingly, the OCI's Order in the Matter of Case No. 15-C40896 shall terminate automatically and have no effect in the event that such required approvals are not received.

(4) The U.S. Department of Justice and the Wisconsin Office of the Attorney General continue to independently investigate the proposed transaction under the standards applicable to their respective reviews. Accordingly, the OCI's Order in the Matter of Case No. 15-C40896 shall not be acted upon until the expiration or termination of the applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

(5) Within ten (10) days of closing of the acquisition, the Applicant or the Wisconsin Domestic Insurers shall provide to the OCI the final executed closing documents and the final executed copies of all related agreements. In the event the closing does not occur, the Applicant shall notify the OCI within three (3) business days.

---

[6] See, for example: Louisiana Revised Statutes, Title 22, § 2A(1); *Morgan Stanley Mortgage Capital, Inv. V. Insurance Commissioner of the State of California*, 18 F.3d 790, Bankr. L. Rep. P. 75,755 (9th Cir. 1994).

[7] Mayhall, Van, III, Insurance Regulatory Law: Defined, Insurance Regulatory Law, Retrieved 2011-06-02.