

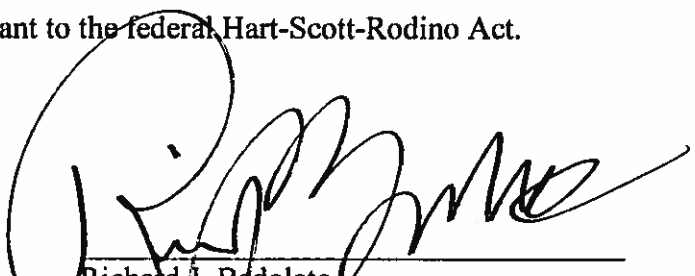
STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION OF )  
CONTROL OF CIGNA DENTAL HEALTH )  
OF NEW JERSEY, INC. AND CIGNA )  
HEALTHCARE OF NEW JERSEY, INC. BY )  
ANTHEM, INC. )

ORDER APPROVING  
ACQUISITION

I have read the Hearing Officer's report dated April 18<sup>th</sup>, 2016 regarding the above-captioned matter, and I concur with the recommendation contained therein. Accordingly, pursuant to N.J.S.A. 17:27A-2, I hereby approve the proposal of Anthem, Inc. to acquire control of Cigna Dental Health of New Jersey, Inc. and Cigna Healthcare of New Jersey, Inc., subject to the following conditions: a) the Applicant obtains all necessary regulatory approvals, including but not limited to, approvals of all applicable state insurance departments of the proposed acquisition; and b) the waiting period for review expires and/or is terminated upon completion of the U.S. Department of Justice's review pursuant to the federal Hart-Scott-Rodino Act.

4/18/16  
Date

  
Richard J. Badolato  
Acting Commissioner

STATE OF NEW JERSEY  
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION OF )	
CONTROL OF CIGNA DENTAL HEALTH )	HEARING OFFICER'S
OF NEW JERSEY, INC. AND CIGNA )	REPORT
HEALTHCARE OF NEW JERSEY, INC. BY )	
ANTHEM, INC. )	

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated September 2, 2015, as supplemented through March 1, 2016, Anthem, Inc.<sup>1</sup> (“Anthem” or “the Applicant”) filed with the Department of Banking and Insurance (“Department”) an application to acquire control (“the Form A filing”) of Cigna Dental Health of New Jersey, Inc. (“Cigna NJ DPO”), a New Jersey domiciled dental plan organization, and Cigna Healthcare of New Jersey, Inc. (“Cigna NJ HMO”), a New Jersey domiciled health maintenance organization)<sup>2</sup> (collectively as “the Cigna New Jersey companies”). The Cigna New Jersey companies are indirectly, wholly-owned subsidiaries of Cigna Corporation (“Cigna”), a Delaware corporation. The Applicant intends to acquire control of the Cigna New Jersey companies through its acquisition of Cigna.

Pursuant to N.J.S.A. 17:27A-2d, a public hearing was held on the Form A filing on March 24, 2016. Pursuant to N.J.A.C. 11:1-35.6(g), the public hearing was conducted based on the documents filed. The hearing panel and Department staff determined that the documents filed in connection with the proposed acquisition satisfied the requirements of N.J.S.A. 17:27A-2b. Public comments were allowed to be submitted through the close of business on March 24,

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<sup>1</sup> Anthem, Inc. was formerly known as WellPoint, Inc. On November 5, 2014, the shareholders of the Company approved a proposal for the name change, which became effective on December 2, 2014. Financial data prior to 2014 and included in this report is for WellPoint, Inc.

<sup>2</sup> Pursuant to N.J.S.A. 17:27A-1e, a health maintenance organization is considered an “insurer” for purposes of N.J.S.A. 17:27A-1 et seq.

2016. No comments were received. No other documents were required, and the record was closed on March 24, 2016.

#### Findings of Fact

Cigna NJ DPO was formed on July 18, 1983, and commenced business in New Jersey on July 18, 1983. Cigna NJ HMO was formed on September 30, 1986, and commenced business in New Jersey on February 1, 1988.

Anthem is an Indiana-domiciled corporation. Anthem, through its subsidiaries, is a health benefits company in the United States that, as of June 30, 2015, serves 38.5 million members through its affiliated health plans. Anthem is an independent licensee of the Blue Cross and Blue Shield Association, and serves its members as the Blue Cross and/or Blue Shield licensee for all or portions of 14 states, including California, Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri, Nevada, New Hampshire, New York, Ohio, Virginia, and Wisconsin. Further, Anthem operates through its AMERIGROUP Corporation subsidiary in Florida, Georgia, Kansas, Louisiana, Maryland, Nevada, New Jersey, New Mexico, New York, Tennessee, Texas, and Washington. Anthem further operates through its subsidiary, Simply Healthcare Holdings, Inc., in Florida. Anthem also serves customers throughout the country through its UniCare insurers and health plans, and in certain California, Arizona, and Nevada markets through its subsidiary, CareMore Health Group, Inc.. Anthem is licensed to conduct insurance operations in all 50 states through its subsidiaries.

The Applicant stated that, through its subsidiaries, Anthem offers various network-based managed care plans to the large and small employer, individual, Medicaid, and Medicare markets. Anthem's managed care plans include preferred provider organizations, health maintenance organizations, point-of-service plans, traditional indemnity plans, and other hybrid

plans, including consumer-driven health plans, and hospital only and limited benefit products. Further, the Applicant noted that Anthem provides an array of managed care services to self-funded customers, including claims processing, underwriting, stop loss insurance, actuarial services, access to provider networks, medical cost management, disease management, wellness programs, and other administrative services. Anthem also provides specialty and other insurance products and services including dental, vision, life and disability insurance benefits, radiology benefit management, and analytics-driven personal health care. Additionally, Anthem provides services to the Federal government in connection with its Federal Employee Program.

Pursuant to the Agreement and Plan of Merger dated July 23, 2015, by and among Anthem, Anthem Merger Sub Corp. ("Merger Sub"), a Delaware corporation and a direct, wholly-owned subsidiary of Anthem, and Cigna ("the Merger Agreement"), included as part of the Form A Filing, the Applicant proposes to acquire control of the Cigna New Jersey companies by becoming, through Anthem, the sole owner of 100 percent of the stock of Cigna and its subsidiaries, including the Cigna New Jersey companies. The Applicant provided that the Cigna New Jersey companies will be acquired by Anthem when Merger Sub is merged with and into the Cigna New Jersey companies' ultimate parent company, Cigna, in accordance with the applicable merger statutes of the Delaware General Corporation Law ("the First Merger"). The Applicant further stated that upon consummation of the First Merger, the separate corporate existence of Merger Sub will cease, and Cigna will continue as the surviving corporation ("the Surviving Corporation") as the direct wholly-owned subsidiary of Anthem. Moreover, the Applicant stated that immediately after the consummation of the First Merger, the Surviving Corporation will merge with and into Anthem, in accordance with the applicable Corporation Law (this merger, "the Second Merger," and together with the First Merger, "the Mergers").

Thereafter, the Applicant provided that the separate corporate existence of Cigna will cease and Anthem will continue as the surviving corporation. After the Mergers, Anthem will acquire beneficial ownership of 100 percent of the common stock of, and ultimate control of, the Cigna New Jersey companies.

The Applicant believes that the Mergers will allow the combined company to serve its customers better by offering a broader line of affordable and quality health insurance products. The Applicant also believes that the combined company will realize significant cost savings that will enable it to operate and compete more efficiently, and the combined company will be better able to apply the insights and access of its broad network, combined with the dedicated local presence of both Anthem and Cigna, to better address the health care challenges of the increasingly diverse segments, consumers, membership, and communities served by the companies. The Applicant further believes that the combination of Anthem and Cigna will further improve the quality of care and enhance access while managing costs and sustaining affordability.

As provided in the Merger Agreement, each share of Cigna's common stock, par value \$0.25 per share, that is issued and outstanding immediately prior to the effective time (as defined in the Merger Agreement) of the First Merger will be converted into the right to receive: (i) \$103.40 in cash, without interest, and (ii) 0.5152 shares of common stock, \$0.01 par value, of Anthem (together, "the Merger Consideration") subject to the terms and conditions set forth in the Merger Agreement. The Applicant stated that as of May 28, 2015, the date of the closing price of Anthem's common stock on the New York Stock Exchange, the total amount of consideration for the total proposed acquisition ("the Aggregate Merger Consideration") of Cigna by Anthem was valued at approximately \$54.2 billion. The Applicant provided that the

final value of the transaction will be determined based on Anthem's closing stock price on the date of closing of the transaction contemplated by the Merger Agreement ("the Closing"). The Applicant further noted that the combined company will reflect a pro forma equity ownership comprised of approximately 67 percent Anthem stockholders and approximately 33 percent Cigna stockholders.

Additionally, the Applicant stated that all of the issued and outstanding shares of voting common stock in Cigna NJ HMO are currently held by Healthsource, Inc., a New Hampshire corporation, which is ultimately owned and controlled exclusively by Cigna. The Applicant further stated that all of the issued and outstanding shares of voting common stock in Cigna NJ DPO are currently held by Cigna Dental Health, Inc., a Florida Corporation, which is ultimately owned and controlled exclusively by Cigna. Moreover, the Applicant noted that pursuant to the Merger Agreement, Anthem proposes to acquire 100 percent of the issued and outstanding voting securities of Cigna as of the effective time (as defined in the Merger Agreement) and beneficially acquire 100 percent of the issued and outstanding voting securities of both Cigna New Jersey companies.

The Applicant further stated that except as provided in the Merger Agreement, and except for 9,087 shares of Cigna common stock held in the ordinary course of business by certain Anthem subsidiaries in their investment portfolios, there are no voting securities of any class of Cigna or either Cigna NJ DPO or Cigna NJ HMO that are beneficially owned, and neither the Applicant, its affiliates, nor other person that is associated with the Applicant and included in the Form A filing has a right to acquire beneficial ownership. Additionally, the Applicant maintained that under the terms of the Merger Agreement, Cigna common stock held by a

subsidiary of Anthem, including Merger Sub, will be cancelled and will cease to exist and no cash, Anthem common stock, or other consideration will be delivered in exchange therefor.

Moreover, the Applicant stated that it has no present plans to cause the Cigna New Jersey companies to declare any extraordinary dividend, to liquidate the Cigna New Jersey companies, to sell or pledge the Cigna New Jersey companies' stocks or any of their assets, or to merge or consolidate the Cigna New Jersey companies with any person or persons. Moreover, the Applicant stated that there are no plans to make any other material change to either Cigna NJ DPO or Cigna NJ HMO's business operations, corporate structure, or management, other than may be provided in the Form A filing or as may arise in the ordinary course of business. The Applicant further stated that pursuant to the terms of the Merger Agreement, Anthem and Cigna have established a transition planning team that is comprised of representatives of Anthem and Cigna to facilitate the transition and the successful combination of the operations of Anthem and Cigna. The Applicant further noted that the transition team will be responsible for developing, and monitoring the development of and the deliverables due under, an action plan for the combination of the business following the completion of the Mergers.

The Applicant stated that neither Cigna NJ DPO nor Cigna NJ HMO have any employees; however, employees of certain subsidiaries of Cigna provide services to the Cigna New Jersey companies pursuant to intercompany management agreements. The Applicant provided that Anthem has no plans or proposals to modify such intercompany management agreements.

Further, the Applicant stated that the Cigna New Jersey companies will continue to maintain their separate corporate existence, and Anthem anticipates no changes to either Cigna NJ DPO's or Cigna NJ HMO's respective Board of Directors or executive officers immediately

following the Closing. Additionally, the Applicant anticipates that Cigna's management team will remain with Anthem following the Mergers. The Applicant stated that on July 23, 2015, Cigna's President and Chief Executive Officer and Anthem entered into an offer letter pursuant to which Cigna's President and Chief Executive Officer will become President and Chief Operating Officer of Anthem upon the Closing. The Applicant further maintained that Anthem has not entered into employment agreements with any other member of Cigna's leadership team at least as of the time of the application.

Additionally, the Applicant noted that it anticipates that certain operations of Cigna, such as human resources, payroll, finance, and accounting, may be integrated with Anthem's existing operations following consummation of the Mergers, and leaders from Cigna and Anthem will finalize such integration plans together. Also, the Applicant anticipates that the Cigna New Jersey companies will become a member of Anthem's consolidated tax group upon consummation of the Mergers, and the Applicant is evaluating the need for any changes to intercompany tax sharing agreements that may be appropriate.

As noted above, the Aggregate Merger Consideration was valued at approximately \$54.2 billion on May 28, 2015. The Applicant stated that it estimates that approximately \$21 billion in equity will be issued to Cigna Stockholders, which leaves a cash requirement of approximately \$27.6 billion for the Merger Consideration. The Applicant stated that it expects to finance the cash portion of the proposed transaction through available cash on hand and the issuance of new debt. As of December 31, 2015, Anthem reports that it has total current assets in the amount of \$30.86 billion, including cash and cash equivalents of \$2.11 billion. The Applicant stated that it has a commitment from a group of lenders to provide \$26.5 billion under an unsecured bridge loan in the event that Anthem does not secure a combination of senior unsecured term loans and



senior unsecured notes in an aggregate amount of \$26.5 billion. As of the date of the Form A filing, term loans have been obtained in the amount of \$4 billion, reducing any need for a bridge loan to \$22.5 billion. The Applicant further noted that it will allocate and/or designate an amount of cash on hand that will be paid as merger consideration in respect to the Cigna New Jersey companies that equals more than half of the value of each Cigna NJ HMO and Cigna NJ DPO, respectively so as to satisfy the requirements of N.J.S.A. 17:27A-2(d)(1)(iv)(c).

Based on the consolidated financial statements filed by the Applicant, Anthem had shareholders' equity of approximately \$23.04 billion in 2015; \$24.25 billion in 2014; and \$24.77 billion in 2013. In addition, Anthem had net-before tax income of approximately \$4.63 billion in 2015 and \$4.37 billion in 2014.

#### Analysis

N.J.S.A. 17:27A-2d(1) provides that the Commissioner of Banking and Insurance ("Commissioner") shall approve an acquisition of control of a domestic insurer unless he or she finds that one or more of the seven disqualifying factors set forth therein exist. The statute provides in pertinent part:

(1) The commissioner shall approve any merger or other acquisition of control . . . unless, after a public departmental hearing thereon, he [or she] finds that:

(i) After the change of control the domestic insurer . . . would not 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;

(ii) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this State or tend to create a monopoly therein . . . [applying the competitive standard as set forth in the statute];

(iii) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders;

(iv) The financial condition of any acquiring party is such that (a) the acquiring party has not been financially solvent on a generally accepted accounting principles basis, or if an insurer, on a statutory accounting basis, for the most recent three fiscal years immediately prior to the date of the proposed acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); (b) the acquiring party has not generated net before-tax profits from its normal business operations for the latest two fiscal years immediately prior to the date of acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); or (c) the acquisition debt of the acquiring party exceeds 50 percent of the purchase price of the insurer;

(v) The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest;

(vi) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; or

(vii) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

Upon a thorough review of the documents submitted into evidence, the hearing panel and Department staff have determined that none of the seven disqualifying factors set forth above should result if the proposed acquisition is effectuated. Each of these conditions is discussed below.

First, after the acquisition, the Cigna New Jersey companies will continue to meet the requirements to transact the business for which they are presently licensed pursuant to Titles 17 and 26 of the New Jersey Statutes. Cigna NJ DPO was formed on July 18, 1983, commenced business in New Jersey on July 18, 1983, and is currently licensed and in good standing. Cigna NJ HMO was formed on September 30, 1986, commenced business in New Jersey on February 1, 1988, and is currently licensed and in good standing. There is nothing in the record to indicate that after the proposed acquisition, the Cigna New Jersey companies would not be able to continue to satisfy the requirements to transact the business for which they are presently licensed.

Second, it does not appear that the acquisition of the Cigna New Jersey companies will substantially lessen competition in the New Jersey insurance market or tend to create a monopoly therein. N.J.S.A. 17:27A-2d(1)(ii) provides that in applying this competitive standard, the standard set forth in N.J.S.A. 17:27A-4.1d shall apply. That statute utilizes a complex formula based on the market shares of the insurers involved in the transaction. In the present matter, based on the countrywide data available (for 2014) at the time of the filing, the Applicant and its subsidiaries and the Cigna New Jersey companies and their affiliates compete in two lines of health insurance in this State: Group Life and Medicare. The respective combined market shares are 3.86 percent for Group Life and 2.05 percent for Medicare. The statute, by its terms, does not apply if, “as an immediate result of the acquisition, the combined market share of the involved insurers would not exceed five percent of the total market. . . .” N.J.S.A. 17:27A-4.1b(2)(d). Accordingly, the combined market shares for the Applicant and its subsidiaries and the Cigna New Jersey companies and their affiliates would not exceed five percent of the total

market for the lines of health insurance in which they compete. Accordingly, the acquisition will not violate the competitive standard set forth in N.J.S.A. 17:27A-4.1.

Third, it does not appear that the financial condition of the Applicant will jeopardize the financial condition of the Cigna New Jersey companies. As reported in the applicable financial statements filed by the Applicant, Anthem had shareholders' equity of approximately \$23.04 billion in 2015; \$24.25 billion in 2014; and \$24.77 billion in 2013.

Fourth, it appears that the financial condition of the Applicant is such that they have been solvent on a generally accepted accounting principles basis for the three-year period immediately prior to the date of the proposed acquisition. As set forth above and based upon the filing, the Applicant had substantial shareholders' equity for the most recent three years, indicating it has been in a sound and viable financial condition for the relevant period. Also, Anthem had net-before tax income of approximately \$4.63 billion in 2015 and \$4.37 billion in 2014. Finally, the Applicant stated that approximately \$27.6 billion of the \$54.2 billion in Aggregate Merger Consideration will be incurred by the Applicant in connection with the proposed acquisition. The Applicant stated that it expects to finance this cash portion of the proposed transaction through available cash on hand and the issuance of new debt. Specifically, the Applicant stated that approximately 48.9 percent of the Aggregate Merger Consideration will be financed through either an unsecured bridge loan or a combination of senior unsecured term loans and senior unsecured notes in the sum of \$26.5 billion. The total debt of \$26.5 billion is less than 50 percent of the anticipated purchase price. Further, the Applicant has certified that in the event that additional debt financing is required for the total transaction at the time of Closing, it will allocate sufficient cash on hand so that the portion of the debt financing that is required for the

Cigna New Jersey companies will not exceed 50 percent. Accordingly, the requirement that the acquisition debt may not exceed 50 percent of the purchase price is satisfied.

Fifth, the Applicant does not propose to liquidate the Cigna New Jersey companies or sell their assets. As set forth above, the Applicant intends to continue the Cigna New Jersey companies' current operations, and has no intention to make any material change to either Cigna NJ DPO or Cigna NJ HMO's business operations, corporate structure, or management, except as specified in the Form A filing or as may arise during the normal course of business. Further, the Applicant provided that the Cigna New Jersey companies will continue to maintain their separate corporate existence, and it anticipates no changes to either Cigna NJ DPO or Cigna NJ HMO's Board of Directors or executives officers immediately following the Closing.

Sixth, there is nothing in the record from which it may be concluded that the competence, experience, and integrity of the persons who will control the operations of the Cigna New Jersey companies are such that it would not be in the interest of the policyholders and of the public to permit the acquisition of control. The persons who will serve as officers and directors of the Cigna New Jersey companies are those presently in those positions with either Cigna and its affiliates or the Applicant and its subsidiaries. In addition, the persons who will control the Cigna New Jersey companies have had substantial experience in the health insurance business.

Seventh, there is nothing in the record from which it may be concluded that the acquisition is likely to be hazardous or prejudicial to the insurance buying public for the reasons set forth above.

Lastly, it is important to note that this is a large multi-state acquisition of the Cigna insurance group by Anthem. As such, multiple state insurance departments are required to approve the acquisition under their respective Insurance Holding Company Acts and the U.S.

Department of Justice has the authority to review the acquisition pursuant to the federal Hart-Scott-Rodino Antitrust Improvements Act. Moreover, the New Jersey portion of the acquisition is small compared to the operations of Cigna in other states.

Recommendation

Based on the foregoing analysis, the hearing panel and Department staff recommend that the proposed acquisition be approved subject to the following conditions: a) the Applicant obtains all necessary regulatory approvals, including but not limited to, approvals of all applicable state insurance departments of the proposed acquisition; and b) the waiting period for review expires and/or is terminated upon completion of the U.S. Department of Justice's review pursuant to the federal Hart-Scott-Rodino Act.

Upon a thorough review of the foregoing, I concur with the findings, analysis and recommendations of the hearing panel and Department staff. I therefore recommend that the proposed acquisition be conditionally approved.

4/15/16  
Date

  
Ashley N. Vaivada  
Hearing Officer

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## **EXHIBITS LIST**

**IN THE MATTER OF THE ACQUISITION OF  
CONTROL OF CIGNA DENTAL HEALTH  
OF NEW JERSEY, INC. AND CIGNA  
HEALTHCARE OF NEW JERSEY, INC. BY ANTHEM, INC.**

**Form A Hearing on the Papers  
March 24, 2016**

The following documents were submitted into the record by Anthem, Inc. pursuant to its application to acquire control of Cigna Dental Health of New Jersey, Inc. and Cigna Healthcare of New Jersey, Inc.:

- DOBI 1 – Form A filing dated September 2, 2015 with exhibits 1-12, including merger agreement dated July 23, 2015, pre and post organizational charts, NAIC biographical affidavits, annual reports with financial statements, as well as 10-Ks with financial statements of Anthem (and its predecessor, Wellpoint, Inc.) for years ending December 31, 2010-14 and 10-Q statements and 8-K statements
- DOBI 2 – Joint Proxy statement sent under cover of letter dated October 2, 2015
- DOBI 3 – January 29, 2016 supplement to Form A, addressing market impact
- DOBI 4 – Supplemental filing of March 1, 2016 of 10-K for Anthem, Inc., including financial statements for year ending December 31, 2015
- DOBI 5 – March 11, 2016 letters on behalf of Anthem and acquired New Jersey domestic insurers waiving 20 day notice requirement of hearing
- DOBI 6 – Affidavits of publication from the Asbury Park Press, the Trenton Times, and the Newark Star Ledger, confirming publication at least 7 days in advance of the hearing date of the hearing that is the subject of this acquisition