

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	
OF CONTROL OF LONGEVITY HEALTH)	HEARING OFFICER'S
PLAN OF NEW JERSEY INSURANCE)	REPORT
COMPANY, INC. BY PARAGON EQUITY)	
GROUP, LLC)	

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated January 11, 2021, as supplemented through November 29, 2021,¹ Paragon Equity Group, LLC, a limited liability company formed under the laws of the State of New Jersey (“Paragon” or the “Applicant”), filed with the Department of Banking and Insurance (“the Department”) an application to acquire control (“the Form A filing”) of Longevity Health Plan of New Jersey Insurance Company, Inc. (“Longevity NJ” or the “Company”), a Preferred Provider Organization (“PPO”) that is a wholly-owned subsidiary of Longevity Health Holdings of New Jersey, LLC (“Longevity Holdings”), which is a subsidiary of Longevity Health Founders, LLC (“Longevity Founders”).

Pursuant to N.J.S.A. 17:27A-2(d) and after notice was provided in papers of general circulation and on the Department’s website, a public hearing was held on the Form A filing on November 4, 2021. 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-2(b).

¹ The Applicant provided an amendment to the Form A filing upon the Department’s request for clarification of certain items presented in the original filing. The amendment was submitted on November 29, 2021.

Public comments were allowed to be submitted to the Department through the close of business on November 4, 2021, and no comments were received. The record was closed on November 30, 2021.

Findings of Fact

Longevity NJ is a PPO that was incorporated on March 19, 2018 and commenced business on January 1, 2020. Longevity NJ contracted with the Center of Medicare and Medicaid Services (“CMS”) to provide medical coverage to members who qualify for participation in an Institutional Special Needs Program (“ISNP”) within the Company’s licensed service area. The contract between the Company and CMS was effective on January 1, 2020, at which time the first members were enrolled in the PPO. The immediate parent is Longevity Holdings, which is owned by Longevity Founders.

Paragon is a limited liability company that was formed under the laws of the State of New Jersey on March 24, 2020. Paragon has no business operations and was formed for the sole purpose of acting as a vehicle for a family investment by Deborah F. Feigenbaum, Avraham R. Feigenbaum, Zalman L. Drew, Avrohom Y. Maierovits and Chaim Z. Feigenbaum (collectively, the “Feigenbaum Family Group”) in Longevity Holdings. Paragon will hold limited voting rights as a Class B member of Longevity of NJ.

The Applicant intends to purchase a 15% equity interest in the Company for a purchase price of \$ 1,050,000.00 (the “Proposed Investment”) which represents a 100% valuation of \$6,600,000.00 ownership by Class A members and Class B members, together with commitment of \$60,000 of the \$1,050,000 to be utilized to purchase a 15% interest in the future New Jersey licensed organized delivery service (“LODS”) entity, once such LODS entity is created and licensed. The transaction will be funded by a transfer of cash from Paragon.

The source of all of contributions to fund Paragon will be solely from the personal savings of the individuals of the Feigenbaum Family Group and, as such, there is no loan or other borrowing involved in this transaction. Thus, the proposed transaction is not subject to any financing contingency and will not result in acquisition debt of the Applicant that exceeds fifty percent (50%) of the purchase price.

Following completion of the proposed transaction, the Applicant has no present plans for Longevity NJ to declare an extraordinary dividend. Further, the Applicant has no plans to liquidate, sell any assets of Longevity NJ other than asset sales in the ordinary course of business, or to merge Longevity NJ with any person or persons. Also, the Applicant has no current plans to make any material changes in the business operations or corporate structure or management of Longevity NJ other than as may arise in the ordinary course of business.

Based on the consolidated financial statements filed by the Applicant, it does not appear that the financial condition of the Company will be jeopardized. Paragon consists of five members who have backgrounds relating to the healthcare sector. Additionally, the Feigenbaum Family Group individual applicants filed certain financial information, including their respective net before-tax income amounts for the previous two years.²

Analysis

N.J.S.A. 17:27A-2(d)(1) provides that the 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:

² Pursuant to N.J.A.C. 11:1-35, Appendix Exhibit A Item 12(b), financial statements for individuals shall not be public and shall not be considered a public record for the purposes of the “Right-to-Know” law, (now known as the Open Public Records Act) N.J.S.A. 47:1A-1 to -13.

(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% 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, Longevity NJ will continue to meet the requirements to transact the business for which it is presently licensed pursuant to Title 17 of the New Jersey Statutes. There is nothing in the record to indicate that after the proposed transaction the Company 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 proposed transaction will substantially lessen competition in the New Jersey insurance market or tend to create a monopoly therein. N.J.S.A. 17:27A-2(d)(1)(ii) provides that in applying this competitive standard, the standard set forth in N.J.S.A. 17:27A-4.1(d) shall apply. That statute utilizes a complex formula based on the market shares of the insurers involved in the transaction. The statute by its terms does not apply if, as an immediate result of the acquisition, there would be no increase in the overall market share of the involved insurers after the acquisition. See N.J.S.A. 17:27A-4.1(b)(2)(d). The Applicant does not transact any insurance business in New Jersey. Accordingly, the transaction meets the exemption standards because the Applicant and the Company do not compete in any lines of business. Accordingly, the proposed transaction will not violate the competitive standard set forth in N.J.S.A. 17:27A-4.1 because it does not substantially lessen competition in New Jersey or tend to create a monopoly therein.

Third, it does not appear that the financial condition of the Applicant will jeopardize the financial condition of the Company. According to the financial information filed by the individual

applicants, it does not appear that the financial condition of the Company will be jeopardized.³ Financial statements for individual applicants that were provided consisted of: (1) a balance sheet showing the status of the individual's assets and liabilities and equity (net worth) as of year-end for each of the preceding five years; and (2) a statement of income or statement of revenue and expenses for the same period.

Fourth, it appears that the financial condition of the Applicant is such that it has been solvent on a basis of generally accepted accounting principles for the three-year period immediately prior to the date of the proposed acquisition. According to the financial information filed by the individual applicants, it does not appear that the financial condition of the Company will be jeopardized.⁴ All of the Feigenbaum Family Group individual applicants reported a net income before taxes.⁵ The Feigenbaum Family participants all have total cash on hand to pay for their respective investment in Longevity NJ, which is more than adequate to cover 100% of the total consideration. Finally, no debt or loans will be utilized to fund the acquisition. Accordingly, the requirement that the acquisition debt may not exceed 50% of the purchase price is satisfied.

Fifth, the Applicant does not propose to liquidate Longevity NJ or sell its assets. As set forth above, the Applicant does not intend to change the business operations, corporate structure, management, or general plan of operations other than may arise in the ordinary course of business.

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 Longevity NJ are such that it would not be in the best interest of the policyholders and of the public to permit the

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⁴ See previous footnote.

⁵ See previous footnote.

acquisition of control. Following the transaction, the Applicant intends to maintain Longevity NJ's business operations, corporate structure, and management.

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

Recommendation

Based on the foregoing analysis, the hearing panel and Department staff recommend that the proposed transaction be approved.

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 transaction be approved.

12/2/21
Date

s/ Lynn Certo
Lynn Certo
Hearing Officer

LC Longevity by Paragon Hearing Officer Report/Orders

Exhibits List

In the Matter of the Acquisition of Control of Longevity Health Plan of New Jersey Insurance Company, Inc. by Paragon Equity Group, LLC

- Exhibit 1 - Form A Statement, dated January 11, 2021.
- Exhibit 2 - Waiver of 20-day notice of hearing submitted by Cynthia Borrelli of Bressler, Amery & Ross PC, for Paragon Equity Group, LLC.
- Exhibit 3 - Waiver of 20-day notice of hearing submitted by Cynthia Borrelli of Bressler, Amery & Ross PC, for Longevity Health Plan of New Jersey Insurance Company, Inc.
- Exhibit 4 - Affidavit of Publication of Notice of Hearing in the Bergen Record, reflecting publication on October 28, 2021.
- Exhibit 5 - Affidavit of Publication of Notice of Hearing in the Courier-Post, reflecting publication on October 28, 2021.
- Exhibit 6 - Affidavit of Publication of Notice of Hearing in the Star-Ledger, reflecting publication on October 28, 2021.
- Exhibit 7 - Amendment to Form A statement dated November 29, 2021