

OCT 25 2012

FILED

BEFORE THE DEPARTMENT OF INSURANCE
STATE OF NEBRASKA

IN THE MATTER OF THE)	FINDINGS OF FACT, CONCLUSIONS
ACQUISITION OF CONTROL OF)	OF LAW, AND ORDER
COVENTRY HEALTH CARE OF)	
NEBRASKA, INC.)	CAUSE NO.: C-1977

On August 29, 2012, Aetna, Inc. (“Applicant”) filed an application (“Form A”) seeking approval to acquire control of Coventry Health Care of Nebraska, Inc. (“Coventry of Nebraska”), a Nebraska domestic insurer. The application was filed pursuant to the Insurance Holding Company System Act, *Neb. Rev. Stat.* §§ 44-2120 to 44-2153 (Reissue 2010). The filing was subsequently supplemented on October 9, 2012 and October 18, 2012. A Notice of Public Hearing was issued on September 20, 2012.

On October 23, 2012, a public hearing was held at the Nebraska Department of Insurance (“Department”). Director of the Nebraska Department of Insurance, Bruce R. Ramage presided over the hearing. Tracy Gruhn, a licensed Notary Public, was present and recorded the hearing. Matt Holman, Counsel, and James Nixon, Chief Examiner, represented the Department.

Applicant was present and represented by Steven Whitmer, Partner, Locke Lord LLP. Applicant presented testimony in favor of the acquisition through Gregory Martino, Assistant Vice President, State Government Relations, for Applicant; Drew Asher, Senior Vice President, Corporate Finance, for Coventry Health Care, Inc.; and Michael A. Nelson, Chief Executive Officer, for Coventry of Nebraska. Exhibits were offered by Applicant and by the Department, and received into the record. Applicant provided

Coventry of Nebraska with notice of the hearing. No testimony or documentary evidence was offered in opposition to the proposed acquisition.

On the basis of the filings, correspondence and information provided to the Department, the Director approves the application and finds, concludes, and recommends as follows:

FINDINGS OF FACT

1. On August 29, 2012, the Department received a verified Form A from the Applicant for approval to acquire control of Coventry of Nebraska through an agreement and plan of merger. The application and subsequent amendments were filed pursuant to the Insurance Holding Company System Act, *Neb. Rev. Stat.* §§ 44-2120 to 44-2153, specifically §44-2126. The agreement and plan of merger will result in Applicant gaining control of Coventry of Nebraska as control is defined in the Act.

2. Coventry of Nebraska is a domestic insurer organized under and governed by the laws of the State of Nebraska. Coventry of Nebraska obtained its Certificate of Authority to transact the business of a Health Maintenance Organization in this state on October 19, 1987. Coventry of Nebraska is currently a wholly-owned subsidiary of Coventry Health Care, Inc., a publicly traded Delaware holding company for various insurance companies, health maintenance and dental maintenance organizations, and related organizations.

3. Applicant is a Pennsylvania corporation which is publicly-owned and traded on the New York Stock Exchange. Applicant is a diversified health care benefits company, offering a broad range of health insurance products and related services to

approximately 36.7 million individuals. Jaguar Merger Subsidiary, Inc. is a direct wholly-owned subsidiary of Applicant, formed for the purpose of acquiring Coventry Health Care, Inc. Applicant contemplates that Coventry Health Care Inc. will merge with Jaguar Merger Subsidiary, and as a result, Applicant will be the ultimate controlling party of Coventry of Nebraska.

4. On August 19, 2012, Applicant and Coventry Health Care, Inc. executed an Agreement and Plan of Merger. The Agreement and Plan of Merger provides for the transaction to close following, among other things, the approval of Coventry Health Care, Inc.'s stockholders and the proper regulatory approval of each state where approval is necessary.

5. In consideration for the proposed merger, each outstanding share of Coventry Health Care, Inc.'s common stock (other than shares held, directly or indirectly, by Coventry Health Care, Inc. or Applicant and other than those shares with respect to which appraisal rights are properly exercised) will be converted into the right to receive .3885 shares of Applicant's common stock and \$27.30 in cash, without interest. The cash portion of the transaction will be financed with approximately \$1.2 billion of cash available at Applicant and Coventry at the time of closing, and \$2.5 billion of new debt and commercial paper. Applicant will also assume all of Coventry Health Care Inc.'s outstanding debt, totaling approximately \$1.6 billion. The total dollar value of the transaction is approximately \$7.3 billion dollars.

6. Applicant has no current plans to (1) declare an extraordinary dividend; (2) to liquidate Coventry of Nebraska; (3) to sell or merge it with any person or persons;

or (4) to make any other material change in Coventry of Nebraska's current active business operations.

7. Applicant has filed all the documents and information required by law and requested by the Department.

CONCLUSIONS OF LAW

1. The Department and Director have jurisdiction over the subject matter of this proceeding.

2. On the basis of the materials filed, correspondence received and evidence presented at the hearing, the Director concludes as follows:

a. After the acquisition, Coventry of Nebraska will satisfy the requirements for a Certificate of Authority to conduct business of insurance in the State of Nebraska and write the lines of insurance for which it is presently licensed.

b. The effect of the acquisition will not substantially lessen the competition in insurance in the State of Nebraska, nor tend to create a monopoly therein, nor violate the laws of the State of Nebraska.

c. The financial condition of Applicant is such that it would not jeopardize the financial stability of Coventry of Nebraska or prejudice the interest of the policyholders of Coventry of Nebraska.

d. The Applicant has no plans or proposals to liquidate Coventry of Nebraska, to sell the assets of Coventry of Nebraska without the approval of the Department, to consolidate or merge Coventry of Nebraska with any person or persons without approval of the Department, or to make any other material change in the business operations or corporate structures of management which would be unfair and unreasonable to policyholders of Coventry of Nebraska and not in the public interest.

e. The competence, experience and integrity of those persons who would control the operation of Coventry of Nebraska are such that it would be in the interest of the policyholders of Coventry of Nebraska and the public to allow the acquisition.

f. Applicant is not subject to the provisions of *Neb. Rev. Stat.* §44-6115 under the Demutualization Act; and

g. The acquisition is not likely to be hazardous or prejudicial to the public.

ORDER

IT IS THEREFORE ORDERED that Applicants are approved to acquire control of Coventry of Nebraska.

Within fifteen (15) days after closing, Applicant shall file with the Department an Insurance Holding Company System Registration Statement, and any other filings required, in accordance with *Neb. Rev. Stat. §44-2132, et seq.*

Dated this 25th day of October, 2012

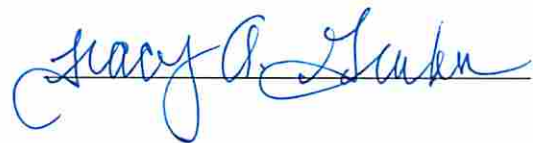
STATE OF NEBRASKA
DEPARTMENT OF INSURANCE



BRUCE RAMGE
Director of Insurance

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Order was sent to Gerald W. Connor, Aetna Inc., 13656 West Greenview Drive, Sun City West, AZ 85375, and to Tim Farber, Senior Counsel, and Jon Biasetti, Partner, Locke Lord LLP, 111 South Wacker Drive, Chicago, IL 60606, by U.S. Mail, postage prepaid, on this 25th day of October, 2012.



Mary A. Larkin