

MAY 24 2018

BEFORE THE DEPARTMENT OF INSURANCE  
STATE OF NEBRASKA

FILED

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-2392

On January 3, 2018, CVS Health Corporation (“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. The filing was subsequently supplemented as necessary throughout the review process. A Notice of Public Hearing was issued on April 24, 2018.

On May 16, 2018, a public hearing was held at the Nebraska Department of Insurance (“Department”). Director of the Nebraska Department of Insurance, Bruce R. Range, presided over the hearing. Brandis Bauer, a licensed Notary Public, was present and recorded the hearing. Matt Holman, General Counsel, and Justin Schrader, Chief Financial 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 Aetna; and Florence Crisp, Senior Legal Counsel for Applicant. Exhibits were offered by Applicant and by the Department, and received into the record. Applicant provided Coventry of Nebraska with timely 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 January 3, 2018, 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 indirect subsidiary of Aetna Inc. (“Aetna”), a publicly traded Pennsylvania holding company for various insurance companies, health maintenance and dental maintenance organizations, and related organizations.

3. Applicant is a publicly traded pharmacy health care company domiciled in Delaware. Applicant maintains retail pharmacies, walk-in health care clinics, specialty pharmacies, infusing services, and long-term care pharmacies. CVS Pharmacy, Inc., a Rhode Island corporation, is a direct wholly-owned subsidiary of Applicant. Hudson Merger Sub Corp., a Pennsylvania corporation is an indirect subsidiary of Applicant and

a wholly-owned direct subsidiary of CVS Pharmacy, Inc., which was formed for the purpose of this transaction. Under the terms of the proposed acquisition, Hudson Merger Sub Corp. will merge with and into Aetna, resulting in Aetna becoming an indirect wholly-owned subsidiary of Applicant and a direct wholly-owned subsidiary of CVS Pharmacy, Inc. Applicant would be the ultimate controlling company of Coventry of Nebraska.

4. On December 3, 2017, Applicant and Aetna 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 Aetna'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 Aetna common stock held immediately prior to the transaction will be converted into the right to receive .8378 shares of Applicant's common stock and \$145.00 in cash, without interest. Including the assumption of Aetna's debt, the total value of the transaction is \$77 billion. Upon closing of the transaction, Aetna shareholders will own approximately 22% of the combined company and Applicant shareholders will own approximately 78%. The cash portion of the transaction will be financed through a combination of cash on hand and debt financing.

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 business operations.

7. The proposed closing date for this transaction is three business days after the date all conditions precedent in the Agreement and Plan of Merger have been satisfied, including the acquisition of all necessary regulatory approvals.

8. 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 the 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 Applicant is approved to acquire control of Coventry of Nebraska.

Neb. Rev. Stat. § 44-2127(2) requires the Director to make a determination within the sixty-day period preceding the effective date of the proposed transaction. Because the proposed effective date of the transaction is not date-certain, this Order shall be deemed to satisfy the requirements of Neb. Rev. Stat. § 44-2127(2) even if the transaction does not close within the sixty-day period following the date of this Order. Should there be any material changes in the Form A application, including the Agreement and Plan of Merger, proposed business plans, or the financial statements of either the Applicant or Coventry of Nebraska, this approval shall be rescinded and an updated application should be filed with the Director.

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 24 day of May, 2018.

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 Tim Farber, Locke Lord LLP, 111 South Wacker Drive, Chicago, IL 60606 by U.S. Mail, postage prepaid, on this 24 day of May, 2018.

