



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

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In the Matter of:

PROPOSED ACQUISITION OF CONTROL OF

WELLCARE HEALTH INSURANCE OF CONNECTICUT, INC.      Docket No. EX19-48  
AND

WELLCARE OF CONNECTICUT, INC.,  
EACH, AN INDIRECT SUBSIDIARY OF  
WELLCARE HEALTH PLANS, INC.

by  
CENTENE CORPORATION

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### ORDER

I, Andrew N. Mais, Insurance Commissioner of the State of Connecticut, having attended the public hearing in the above-captioned matter, do hereby adopt the findings and recommendations of Joshua Hershman, Hearing Officer, which are contained in the attached Proposed Final Decision, dated September 26, 2019, and issue the following order, TO WIT;

1. The Application of the Applicant in which it seeks approval to acquire control of the Domestic Insurers is hereby approved.
2. The Applicant and Domestic Insurers shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.
3. The Applicant shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.
4. The Applicant shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.
5. The Applicant shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

6. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with respect to any dividends paid by the Domestic Insurers.

8. The Domestic Insurers shall maintain employee levels at least consistent with the current staffing levels of fifty-one (51) persons located in Connecticut and the offices of WellCare of Connecticut, Inc. will remain in Connecticut for at least four (4) years following the consummation of the Proposed Acquisition.

9. The Domestic Insurers shall continue to maintain their books and records in their current approved locations and shall make all such items available for inspection by the Commissioner at any time.

10. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicant shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicant's inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicant and the Domestic Insurers.

11. The Applicant shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

Dated at Hartford, Connecticut, this 26th day of September, 2019.



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Andrew N. Mais  
Insurance Commissioner



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### PROPOSED FINAL DECISION

#### I. INTRODUCTION

Centene Corporation ("Centene" or "Applicant") seeks the approval of the Insurance Commissioner of the State of Connecticut for the proposed acquisition of control ("Proposed Acquisition") of the Connecticut domestic insurers WellCare Health Insurance of Connecticut, Inc. and WellCare of Connecticut, Inc. (collectively "Domestic Insurers") each, an indirect subsidiary of WellCare Health Plans, Inc. ("WellCare"), pursuant to an Amended and Restated Form A dated August 16, 2019 ("Application") filed with the Connecticut Insurance Department ("Department") in accordance with General Statutes § 38a-130 and section 38a-138-6 of the Regulations of Connecticut State Agencies.

The Proposed Acquisition will be effected pursuant to the terms of the Agreement and Plan of Merger ("Agreement") between by and among the Domestic Insurers and the Applicant, dated as of March 26, 2019.

The Insurance Commissioner ("Commissioner"), is required by General Statutes § 38a-132 and section 38a-138-6 of the Regulations of Connecticut State Agencies to hold a public hearing on the Proposed Acquisition of the Domestic Insurers within thirty (30) days after the Commissioner determines that the Application is complete in all respects. In this regard, the Department staff reviewed the original Form A dated May 7, 2019 and

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thereafter requested the Applicant to file supplemental information. On August 16, 2019, the Applicant filed an Amended and Restated Form A, the Application, with the Department which amends and restates portions of the original Form A text and also includes certain new and revised exhibits.

Based on a determination that the Application was substantially complete, the Commissioner issued a notice of public hearing dated August 20, 2019, in which he ordered that the public hearing be held on September 11, 2019 concerning the application for approval of the Proposed Acquisition of the Domestic Insurers. The hearing notice was subsequently published in the *Hartford Courant*, once a week for two consecutive weeks. The notice of hearing was also filed by the Department with the Office of the Secretary of the State on August 20, 2019 and was published on the Department's internet website. In accordance with section 38a-8-48 of the Regulations of Connecticut State Agencies, the Applicant and the Domestic Insurers were designated as parties to this proceeding.

On August 22, 2019, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On September 11, 2019, the public hearing on the Proposed Acquisition of the Domestic Insurers was held before the undersigned.

Todd E. Freed, Esq. of Skadden, Arps, Slate, Meagher & Flom, LLP, and Elizabeth P. Retersdorf, Esq. of Day Pitney, LLP, represented Centene Corporation. Keith Williamson, Executive vice President, General Counsel and Secretary of Centene; Christopher Koster, Senior Vice President, Corporate Services for Centene; and Lisa Brubaker, Senior Vice President, Corporate Quality and Risk Adjustment, Interim CEO, Medicare Solutions for Centene, testified at the public hearing on behalf of the Applicant.

Ashlee M. Knuckey, Esq. and Alexandra J. Cavaliere, Esq. of Locke Lord, LLP, represented WellCare Health Insurance of Connecticut, Inc., WellCare of Connecticut, Inc., and WellCare Health Plans, Inc. Lisa Wright, Regional President, Medicare North Division of WellCare Health Plans, Inc. testified at the public hearing on behalf of the Domestic Insurers.

The following Department staff participated in the public hearing: Kathy Belfi, Director of Financial Regulation, Lynn Reed, Insurance Certified Supervising Examiner, Paul Moya, Insurance Financial Examiner, and Jared Kosky, Esq., Counsel to the Insurance Department.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments on the Application with respect to the issues to be considered by the Commissioner. No oral or written comments on the Application were received.

## **II. FINDINGS OF FACT**

After reviewing the exhibits entered into record of this proceeding, and based on the written and oral testimony of the witnesses, the undersigned makes the following findings of facts:

1. Centene Corporation is a publicly traded Delaware corporation with a business address of 7700 Forsyth Boulevard, St. Louis, Missouri 63105. It operates as a diversified, multi-national healthcare enterprise that provides a portfolio of services to government-sponsored and commercial healthcare programs, focusing on under-insured and uninsured individuals.
2. WellCare Health Insurance of Connecticut, Inc. ("WHIC") is a Connecticut domiciled life and health insurer with a business address of 8735 Henderson Road, Tampa, Florida 33634. It is currently authorized to conduct health business in one (1) state and has not yet engaged in the sale of insurance products.
3. WellCare of Connecticut, Inc. ("WCC") is a Connecticut domiciled health care center with a business address of 2319 Whitney Avenue, Sixth Floor, Hamden, Connecticut 06518. It is currently authorized to conduct health business in two (2) states and has been engaged in the sale of insurance products since 1995.
4. Each of the Domestic Insurers is a direct, wholly owned subsidiary of the WellCare Management Group, Inc., a New York corporation, which is, in turn, a direct, wholly owned subsidiary of WCG Health Management, Inc., a Delaware corporation, which is, in turn, a direct, wholly owned subsidiary of WellCare Health Plans, Inc., a publicly traded Delaware corporation.
5. The proposed acquisition of control of the Domestic Insurers will occur through a series of mergers. On March 26, 2019, the Applicant, WellCare, and two newly formed, wholly owned subsidiaries of Centene entered into a Merger Agreement. The practical effect of the merger transaction is to replace the public common stockholders of WellCare with Centene, with post-closing WellCare becoming a wholly owned subsidiary of Centene. The merger transaction is valued on an

enterprise value basis at approximately \$17.3 billion, based on closing stock prices as of March 26, 2019.

6. The \$17.3 billion value consists of the following: (a) shares of Centene common stock with a value of approximately \$9.4 billion, (b) cash consideration of approximately \$6.1 billion, (c) the rollover of existing WellCare restricted stock units and performance stock units with a value of approximately \$0.2 billion, and (d) the assumption of approximately \$1.6 billion of WellCare indebtedness, net of unrestricted cash balances. Centene expects to finance the cash component of the merger consideration through available cash on hand and the issuance of unsecured senior notes in a public offering yielding up to \$8.35 billion in aggregate gross cash proceeds.
7. The Applicant represents that following the closing of the Proposed Acquisition, WHIC will continue to maintain its separate corporate existence and will conduct operations as described in its plan of operations filed as part of its licensing application recently approved by the Department.
8. The Applicant represents that following the closing of the Proposed Acquisition, WCC will continue to maintain its separate corporate existence and will continue its operations as currently conducted.
9. Following are the names and titles of the respective directors and executive officers of Centene:

Name:	Position:
Orlando Ayala	Director
Robert K. Ditmore	Director
Fred H. Eppinger	Director
Jessica L. Blume	Director
Richard A. Gephardt	Director
John R. Roberts	Director
David L. Steward	Director
Tommy G. Thompson	Director
Michael F. Neidorff	Director, Chairman and Chief Executive Officer
Christopher D. Bowers	Executive Vice President, Markets
Mark J. Brooks	Executive Vice President, Chief Information Officer
Brandy Burkhalter	Executive Vice President, Operations

Jesse N. Hunter	Executive Vice President, Mergers & Acquisitions and Chief Strategy Officer
Christopher R. Isaak	Senior Vice President, Corporate Controller and Chief Accounting Officer
Jeffrey A. Schwaneke	Executive Vice President, Chief Financial Officer and Treasurer
Keith H. Williamson	Executive Vice President, General Counsel and Secretary

10. The biographical affidavits of the members of the board of directors and officers of the Applicant included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Applicant and indirectly the Domestic Insurers after the acquisition.
11. Post-Acquisition, WellCare's board of directors will be comprised of three individuals, Michael Neidorff (Centene's Chief Executive Officer), Jeffrey Schwaneke (Centene's Chief Financial Officer and Treasurer) and Christopher Koster (Centene's Senior Vice President of Corporate Services). In addition, these individuals will serve as Post-Acquisition WellCare's executive officers.
12. The Applicant represents that it does not have any present plans to change the existing directors and executive officers of the Domestic Insurers. Following are the names and titles of the directors and executive officers of the Domestic Insurers Post-Acquisition:

**WellCare Health Insurance of Connecticut, Inc.**

**Directors**

Name:	Position:
Andrew L. Asher	Director
Andrew W. Clifton	Director
Michael T. Meyer	Director

**Officers**

Name:	Position:
Andrew W. Clifton	President
Richard C. Fisher	Vice President & Chief Financial Officer
Michael W. Haber	Vice President & Secretary

Goran Jankovic	Vice President & Treasurer
Michael T. Meyer	Vice President, Chief Accounting Officer, Assistant Treasurer
Tammy L. Meyer	Vice President & Assistant Secretary

**WellCare of Connecticut, Inc.**

**Directors**

Name:	Position:
Andrew L. Asher	Director
Andrew W. Clifton	Director
Michael T. Meyer	Director

**Officers**

Name:	Position:
Andrew W. Clifton	President
Michael W. Haber	Vice President and Assistant Secretary
Richard C. Fisher	Vice President & Chief Financial Officer
Goran Jankovic	Vice President & Treasurer
Michael T. Meyer	Vice President, Corporate Controller, Secretary & Assistant Treasurer
Tammy L. Meyer	Vice President & Assistant Secretary

13. The biographical affidavits of the members of the directors and officers of the Domestic Insurers, post-acquisition, included in the record of this proceeding and the files of the Department describe each individual's educational background, professional credentials, and employment history, and attests to the competence, experience and integrity of those individuals who would control the operation of the Domestic Insurers after the Proposed Acquisition.
14. The Applicant represents that it has no present plans or proposals to cause the Domestic Insurers to declare any extraordinary dividend, liquidate the Domestic Insurers, to sell the assets of the Domestic Insurers (other than in ordinary course), to merge the Domestic Insurers with any person or persons or to make any other material change in the Domestic Insurers' business operations, corporate structure or management.

15. The Applicant has represented that it does not contemplate moving the Domestic Insurers' books, records, documents, accounts, vouchers, and agreements from their current approved location and shall make all such items available for inspection by the Commissioner at any time.
16. Other than as disclosed in the Application, neither the Applicant, its affiliates nor, to the Applicant's knowledge, any of the Individuals associated with the Applicant holds of record or beneficially owns any voting securities of the Domestic Insurers or any of their respective controlling persons, including WellCare, except for (i) an investment by a wholly owned subsidiary of Centene in a third party investment fund which holds WellCare Common Stock (Centene's subsidiary's percentage ownership of WellCare Common Stock through such investment fund is valued at approximately \$75,000, and Centene's subsidiary holds no voting rights in respect thereof) and (ii) three shares of WellCare Common Stock owned by a trust of which a director of Centene is a co-trustee. Other than as disclosed in the Application, neither the Applicant, its affiliates nor, to the Applicant's knowledge, any of the Individuals associated with the Applicant have any right to acquire any voting securities issued by the Domestic Insurers or any of their respective controlling persons, including WellCare.
17. Other than as disclosed in the Application, there are no contracts, arrangements or understandings with respect to any voting security of the Domestic Insurers or any of their respective controlling persons in which the Applicant, its affiliates or the Individuals associated with the Applicant is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies.
18. During the last twelve (12) calendar months preceding the filing of the Application, neither the Applicant, its affiliates nor, to the knowledge of the Applicant, any of the Individuals associated with the Applicant has purchased any voting securities of the Domestic Insurers or any of their respective controlling persons, except for the investment by a wholly owned subsidiary of Centene in a third party investment fund which holds WellCare Common Stock, and three (3) shares of WellCare Common Stock owned by a trust of which a director of Centene is a co-trustee.
19. Neither the Applicant, its affiliates nor, to the knowledge of the Applicant, any of the Individuals associated with the Applicant, nor anyone based upon interviews or

at the suggestion of the foregoing persons has made any recommendations to purchase any voting securities of the Domestic Insurers or any of their respective controlling persons during the twelve (12) calendar months preceding the filing of the Application.

20. Except as disclosed in the Merger Agreement, there are no agreements, contracts or understandings made with any broker-dealer as to solicitation of voting securities of the Domestic Insurers or any of their respective controlling persons for tender with regard to the Proposed Acquisition.

### III. DISCUSSION

The Insurance Commissioner is required to approve the Proposed Acquisition unless, after a public hearing, he finds that the proposed acquisition of control of the Domestic Insurers would result in any of the conditions set forth in General Statutes §§ 38a-132 (a) (1) through (6). These conditions will be addressed in turn.

**(1) After the change of control, the Domestic Insurers would not be able to satisfy the requirements for the issuance of a license to write the line or lines of business for which it is presently licensed.**

General Statutes § 38a-132 (a) (1) requires the Domestic Insurers to satisfy the requirements for the issuance of licenses to write the line or lines of business for which they are presently licensed following the proposed acquisition of control. The Domestic Insurers are currently licensed pursuant to General Statutes § 38a-41 and satisfy the requirements for the issuance of a license to write the lines of business for which they are licensed. The Applicant, through testimony and submissions, indicates that no changes will be made to the Domestic Insurers such that they would not be able to satisfy the requirements for the issuance of their licenses.

In addition to the financial requirement criteria set forth in General Statutes § 38a-72, the Department considers the location of a company's books, records and assets, and the management of the company when evaluating an insurer's ability to operate in this state pursuant to § 38a-41. The Applicant, in testimony and submissions, has confirmed that books and records will remain in their present approved locations.

As noted in the Findings of Fact, the Applicant has no present plans or proposals to: (a) cause the Domestic Insurers to declare an extraordinary dividend; (b) liquidate the Domestic Insurers; (c) sell the Domestic Insurers' assets (other than in the ordinary

course of business) or merge the Domestic Insurers with any person(s); or (d) make any other material change in the Domestic Insurers' business operations, corporate structure or management.

In pre-filed testimony, Christopher Koster stated:

Immediately following the Closing, the Domestic Insurers will continue to maintain their separate corporate existence. WellCare of Connecticut, Inc. will continue its operations as currently conducted, and WellCare Health Insurance of Connecticut, Inc. will conduct operations as described in its plan of operation filed as part of its licensing application recently approved by the Department, with no expected adverse effects to its members or policyholders.

In addition, the Applicant has no present plans or proposals to rebrand the Domestic Insurers.<sup>1</sup>

Moreover, based on the information contained in the biographical affidavits for the directors and officers of the Applicants, the competence, experience and integrity of the individuals who will be responsible for the governance and operation of the Domestic Insurers following the consummation of the proposed transaction, are such that the safe and expert operation of the Domestic Insurers will continue following the Proposed Acquisition.

Accordingly, the undersigned hereby finds that the evidence contained in the record supports a finding that the Domestic Insurers will be able to satisfy the requirements for the issuance of the necessary license of insurers for which they are presently licensed following completion of the Proposed Acquisition of control.

**(2) The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.**

General Statutes § 38a-132 (a) (2) requires that the proposed transaction neither substantially lessen competition nor create a monopoly in Connecticut. In evaluating the effect of the proposed acquisition on competition in Connecticut, the Commissioner is required by General Statutes § 38a-132 (a) (2) (A) to consider the information required

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<sup>1</sup>Christopher Koster Pre-Filed Affidavit, p. 10 (September 8, 2019).

under General Statutes § 38a-131 (c) (1) and the considerations specified in General Statutes § 38a-131 (d) (1). In this regard, the Commissioner must consider the percentages of market shares of the Applicant and affiliates and the Domestic Insurers and the market in which the insurers compete, as set forth in § 38a-131 (d) (1). If certain quantitative criteria are met, then there is *prima facie* evidence that the competitive standard has been violated. (See § 38a-131 (d) (1)).

General Statutes § 38a-131 (d) (2) defines "market" as the relevant product and geographical markets. In determining the relevant product and geographical markets, § 38a-131 (d) (2) specifies that in the absence of sufficient information to the contrary, the relevant product market shall be the direct written insurance premium for a line of business as used in the annual statement insurers doing business in this state are required to file with the Commissioner, and the relevant geographical market shall be Connecticut.

In all lines of business, the Proposed Acquisition meets the exemption standard set forth in General Statutes § 38a-131 (b) (4) (B) because the transaction would not result immediately in any increase in market share in any line of insurance in Connecticut held by the Applicant or the Domestic Insurers. Based on 2017 premium information (the latest available on the date of filing of the original Form A) obtained from S&P Global Market Intelligence (formerly SNL Financial), which sources the data from the National Association of Insurance Commissioners (NAIC), there is no overlap in any line of business of the health annual statements written by the Domestic Insurers and the Applicant. Specifically, in Connecticut, in 2017, WellCare only reported premium in the following two lines of business: (1) Disability, Long-Term Care, Stop Loss & Other Health, and (2) Title XVIII Medicare. In the same year, Centene only reported premium in Connecticut for the Medicare Supplement line of business.<sup>2</sup>

Accordingly, the undersigned hereby finds that, based on the evidence contained in the record of this proceeding, the effect of the acquisition of control of the Domestic Insurers by the Applicant will not substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

**(3) The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurers or prejudice**

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<sup>2</sup>See Amended Form A Statement, p. 27 (August 16, 2019).

**the interests of its policyholders.**

General Statutes § 38a-132 (a) (3) requires that the financial condition of any acquiring company be in sufficiently sound financial condition so as not to jeopardize the financial stability of the Domestic Insurers or prejudice the interests of its policyholders.

Mr. Koster testified that; "[t]he financial condition of Centene Corporation is quite strong. It has in [excess] of \$30 billion of total assets, in excess of \$10 billion of net assets, more than \$4 billion in statutory reserves on account across the country, and greater than \$11 billion in shareholder equity. The combination of the two businesses will in fact enhance the financial position of the Domestic Insurers as well as the Domestic Insurers' related companies under the WellCare umbrella across the country."<sup>3</sup>

Based on the information entered into the record of this proceeding, including the Application and the testimony of Mr. Koster, the undersigned hereby finds that there is no evidence indicating that the financial condition of the Applicant might jeopardize the financial condition of the Domestic Insurers, or prejudice the interests of its policyholders.

**(4) The plans or proposals of the acquiring party to liquidate the Domestic Insurers, sell their assets or consolidate or merge them with any person, or make any other material change in the business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest.**

General Statutes § 38a-132 (a) (4) requires that the acquiring party not be contemplating any material changes in the business of the Domestic Insurers that would be unfair and unreasonable to policyholders, or otherwise would not be in the public interest.

Mr. Koster testified that; "[t]he Applicant has no plans to liquidate, sell, consolidate or merge the Domestic Insurers."<sup>4</sup> As previously mentioned, Mr. Koster's pre-filed testimony states that following the Closing the Domestic Insurers will continue to maintain their separate corporate existence and will continue their operations (or plan of operations) as currently conducted.

Accordingly, based on the information entered into the record of this proceeding, the undersigned hereby finds that there are no material plans or proposals for the

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<sup>3</sup>Hrg. Transcr. 22:5-14 (September 11, 2019).

<sup>4</sup>Id. 22:24-23:1.

Domestic Insurers that are unfair and unreasonable to policyholders of the Domestic Insurers or not in the public interest.

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

General Statutes § 38a-132 (a) (5) requires that the competence, experience and integrity of those persons who would control the operation of the Domestic Insurers post-acquisition be of sufficient quality so as not to be prejudicial or contrary to the interests of the policyholders and of the public. The record includes the biographical affidavits and third party reports of those individuals who serve as members of the board and as officers of the Applicant. The biographical affidavits disclose each individual's education background, professional credentials and their employment history. In addition, the Applicant has represented, and the biographical affidavits confirm, that during the last ten (10) years, none of the directors or officers of the Applicant have been convicted in a criminal proceeding (excluding minor traffic violations) or have been convicted or otherwise penalized for violating any federal or state law regulating the business of insurance, securities or banking. During the last ten (10) years, none of the directors or officers of the Applicant have been the subject of any proceeding under the Federal Bankruptcy Code, or have been affiliated with a business or organization which has been subject to such proceeding.

Furthermore, no director or officer of the Applicant have had a revocation, suspension or disciplinary sanction imposed against him or her by a governmental agency. None of the filed biographical affidavits contain any information that reflects negatively on the integrity of these individuals.

Mr. Koster testified that:

The Applicant has no plans to change any of the directors or officers of the domestic insurance companies. Each of the two Domestic Insurers has three directors and six executive officers. I have had the opportunity to review biographical affidavits of all of those individuals and find them to be highly competent individuals with extensive experience and high integrity. Additionally, the Applicant itself has nine directors and eight executive officers. I have had the privilege of working with each of these individuals

over the last several years, have also reviewed their biographical affidavits, and find them additionally to be highly competent individuals with extensive experience and high integrity.<sup>5</sup>

Accordingly, the undersigned hereby finds that the competence, experience, and integrity of those persons who would control the operations of the Domestic Insurers after completion of the Proposed Acquisition are sufficient to indicate that the interests of policyholders of the Domestic Insurers and of the public will not be jeopardized by the Applicant's acquisition of control of the Domestic Insurers.

**(6) The acquisition of control of the Domestic Insurer is likely to be hazardous or prejudicial to those buying insurance.**

General Statutes § 38a-132 (a) (6) requires that the proposed acquisition not be hazardous or prejudicial to the insurance buying public.

Mr. Koster testified that:

The merger transaction will create one of the premier health insurance companies across the country. The combined company will continue to be the leader in the providing of Medicaid solutions to members across the country as well as marketplace solutions. It will be among the leaders in providing Medicare Advantage products to individuals across the United States. The combination will make both entities stronger.

It will allow them to continue their core philosophy of localized management, local presence in the community, local branding while allowing for the increased investment in scale necessary to achieve national class systems, medical management advances, value-based contracting strategies and the like, all of which will tend to bend the cost curve to the good in favor of the states that we service, serve across the country as well as the members that we provide health care services for.<sup>6</sup>

Based on the financial strength of the Applicant, the commitments contained within the Agreement, the competence, experience and integrity of those persons who would control the operation of the Domestic Insurers post-acquisition, the testimony of Keith

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<sup>5</sup>Id. 23:10-25.

<sup>6</sup>Id. 24:5-23.

Williamson, Christopher Koster, Lisa Brubaker, and Lisa Wright, the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, assuming compliance with the Applicant's commitments as set forth in the record and with all of Connecticut's insurance statutes and regulations, the undersigned hereby finds that it is reasonable to conclude that the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

#### **IV. RECOMMENDATION**

Based on the foregoing Findings of Fact and Discussion, the written and oral testimony and exhibits submitted to the Department, and the record of the September 11, 2019 public hearing, the undersigned hereby concludes that no condition justifying disapproval listed in General Statutes § 38a-132 (a) is present with respect to completion of the Proposed Acquisition. Accordingly, the undersigned recommends that the Commissioner find, pursuant to § 38a-132 (a) that after the Proposed Acquisition of control (i) the Domestic Insurers will be able to satisfy the requirements for the issuance of a license for the lines of business for which they are presently licensed; (ii) the effect of the acquisition of control will not substantially lessen competition of insurance in this state or tend to create a monopoly herein; (iii) the financial condition of the Applicant is not such as might jeopardize the financial stability of the Domestic Insurers or prejudice the interests of their policyholders; (iv) the Applicant's plans or proposals for the Domestic Insurers are not unfair and unreasonable to the policyholders of the Domestic Insurers and are in the public interest; (v) the competence, experience and integrity of the management of the Applicant and Domestic Insurers are such that it would be in the interest of the policyholders of the Domestic Insurers and of the public to permit the Proposed Acquisition; and (vi) completion of the Proposed Acquisition is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends that the Commissioner issue the following orders:

1. The Application of the Applicant in which it seeks approval to acquire control of the Domestic Insurers is hereby approved.
2. The Applicant and Domestic Insurers shall conduct their operations consistent with the representations, disclosures and commitments as set forth in the record of this proceeding and proposed final decision.

3. The Applicant shall provide the Department with written confirmation of the consummation of the acquisition of control by the end of the month in which the acquisition takes place.

4. The Applicant shall provide the Department with written details of the final purchase price after all adjustments used to complete the acquisition.

5. The Applicant shall provide the Department with the names and titles of those individuals who will be responsible for filing an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

6. Within fifteen (15) days following the end of the month in which the Proposed Acquisition is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to section 38a-138-10 of the Regulations of Connecticut State Agencies.

7. For the two (2) year period following the consummation of the Proposed Acquisition, prior approval of the Commissioner will be required with respect to any dividends paid by the Domestic Insurers.

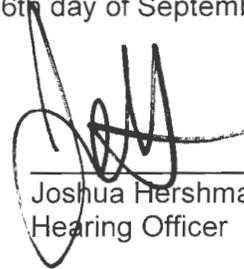
8. The Domestic Insurers shall maintain employee levels at least consistent with the current staffing levels of fifty-one (51) persons located in Connecticut and the offices of WellCare of Connecticut, Inc. will remain in Connecticut for at least four (4) years following the consummation of the Proposed Acquisition.

9. The Domestic Insurers shall continue to maintain their books and records in their current approved locations and shall make all such items available for inspection by the Commissioner at any time.

10. If the Proposed Acquisition is not Consummated within three (3) months of the date of this Order and the Applicant intends to consummate the Proposed Acquisition, the Applicant shall submit to the Commissioner a statement, which shall include (i) the reason for the Applicant's inability to consummate the Proposed Acquisition; (ii) any material changes in the information contained in the Application; and (iii) the current financial statements of the Applicant and the Domestic Insurers.

11. The Applicant shall pay any expenses incurred by the Commissioner in connection with the Department's review of the Application pursuant to General Statutes § 38a-132 (c).

Dated at Hartford, Connecticut, this 26<sup>th</sup> day of September, 2019.



Joshua Hershman  
Hearing Officer