

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of Anthem, Inc. and Anthem : Companies Act, Article XIV of the
Partnership Holding Company, LLC in : Insurance Company Law of 1921, Act
Support of the Request for Approval to : of May 17, 1921, P. L. 682, as
Acquire Control of Region 6 Rx Corp : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
: :
: Order No. ID-RC-20-07

DECISION AND ORDER

AND NOW, on this 7th day of April, 2020, Jessica K. Altman, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

Identity of PA Domestic Insurer

1. Region 6 Rx Corp (“Region 6”) is a domestic stock life insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
2. GR Health Solutions, LLC (“GRHS”) is a limited liability company organized pursuant to the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. GRHS currently directly holds 100% of the issued and outstanding capital stock of Region 6.

3. Independence Blue Cross, LLC (“IBC”) is a limited liability company organized pursuant to the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. IBC directly holds 100% of the issued and outstanding stock of GRHS.
4. Independence Health Group, Inc. (“IHG”) is a nonprofit corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania. IHG is the sole member of IBC.
5. IHG is the ultimate controlling person of Region 6.

Identity of Applicant

6. Anthem Partnership Holding Company, LLC (“APHC”) is an Indiana limited liability company with its principal place of business in Indianapolis, Indiana.
7. Anthem, Inc. (“Anthem”) is an Indiana corporation with its principal place of business in Indianapolis, Indiana. The stock of Anthem is publicly traded on the New York Stock Exchange. No person controls 10% or more of the voting securities of Anthem. Anthem is the sole member of APHC.

Acquisition Filing

8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
9. On February 19, 2020, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from Anthem and APHC (collectively “the Applicants”) for approval to acquire control of Region 6.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

11. On February 29, 2020, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by the Applicants and such notice invited interested persons to submit comments to the Department regarding the Application for thirty days following the date of the publication (“Comment Period”).
12. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

13. As described in the Application, on February 12, 2020, APHC, IBC and GRHS entered into a Contribution Agreement (“the Agreement”).
14. As described in the Agreement, IBC owns 1,000 units of GRHS, which represents 100% of the issued and outstanding membership interests of GRHS.
15. As described in the Agreement, APHC desires to make a contribution of cash to GRHS in exchange for 1,000 units of GRHS, and GRHS desires to accept the contribution of cash from APHC and to issue in exchange for such contribution, 1,000 units of GRHS (“the Contribution”).
16. As described in the Application, the source of the funds for the Contribution will be cash on hand.
17. As described in the Application and subsequent to the Contribution, APHC would directly own 50% of the issued and outstanding membership interests of GRHS.
18. As described in the Application, Anthem would become an ultimate controlling person of Region 6, along with IHG, as a result of the Contribution.

Standards for Review

19. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
20. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

Licensing Requirements

21. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
22. Specifically, the Department reviews whether the domestic insurer would 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 after the acquisition.
23. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).

24. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
25. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Region 6 is required to maintain a minimum paid up capital stock of \$1,100,000 and a minimum paid in surplus of \$550,000 to write the lines of insurance for which it is presently licensed.
26. Upon completion of the Contribution, Region 6 will have the statutory minimum paid up capital stock and paid in surplus to satisfy the requirements to write the lines of insurance for which it is presently licensed.

Competitive Impact

27. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of Domestic Insurers would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein, as per 40 P.S. §991.1402(f)(1)(ii) (the “competitive standard”).
28. The acquisition of control of Region 6 will not lessen competition or tend to create a monopoly in the Commonwealth because the market shares of the insurance company subsidiaries of Applicants licensed to transact the business of insurance in Pennsylvania and the market shares of the insurance company subsidiaries of IHG licensed to transact the business of insurance in Pennsylvania, as stated in the Application, do not exceed the market share levels established in Section 1403 of the Insurance Holding Companies Act.

Financial Condition of Applicant

29. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
30. The Department has reviewed the financial information submitted by the Applicants.
31. The financial condition of the Applicants would not pose any impediments to the change in control nor jeopardize the financial condition of Region 6.

Plans for the Acquired Insurer

32. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer.
33. In particular, the Department reviewed 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, to determine whether it is:
 - a) Unfair or unreasonable;
 - b) Fails to confer a benefit upon policyholders; or
 - c) Not in the public interest.
34. As stated in the Application, the Applicants have no future plans or proposals to liquidate Region 6, to sell its assets, to merge or consolidate it with any person or persons or to change its corporate structure.
35. As described in the Application, following the Contribution Region 6's board of directors will be expanded to eight members: four directors to be representatives of IBC and four directors to be representatives of Anthem.
36. As described in the Application, certain officers of Anthem will become officers of Region 6 following the Contribution.
37. There is no basis in the record from which it may be concluded that the plans or proposals which the acquiring party has for the insurer are unfair or unreasonable or fails to confer a benefit upon policyholders or are not in the public interest.

Management

38. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
39. Biographical affidavits for the directors and executive officers of Anthem were reviewed by the Department.
40. Biographical affidavits for the managers and executive officers of APHC were reviewed by the Department.
41. Biographical affidavits for the anticipated new directors and officers of Region 6 and GRHS were reviewed by the Department.

42. The Department is satisfied that the persons who would control the operations of Region 6 have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

Hazardous or Prejudicial to Insurance Buying Public

43. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public.
44. There is insufficient evidence in the record from which it may be concluded that the acquisition will likely be hazardous or prejudicial to the insurance buying public.

Compliance with the Pennsylvania Laws

45. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A.
46. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
47. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the change in control of Region 6.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
 - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
 - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;

- c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
 - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurers and not in the public interest;
 - e) 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 and the general public to permit the acquisition of control; or,
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
 - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Region 6.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Anthem, Inc. (“Anthem”) and Anthem Partnership Holding Company, LLC (“APHC”) (collectively, “the Applicants”) in support of the request for approval to acquire control of Region 6 Rx Corp. (“Region 6”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. The Applicants shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
2. For three (3) years following the effective date of the acquisition, Region 6 will be prohibited from declaring or paying any dividends, returns of capital or any other type of distributions, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under the Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq.
3. For a period of two (2) years after the effective date of the subject transaction, Region 6 shall not close or cease actively doing business from Philadelphia, Pennsylvania, without application to and the prior written approval of the Department.

4. For three (3) years following the effective date of the acquisition, Region 6 shall not voluntarily withdraw its certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania.
5. For three (3) years following the effective date of the acquisition, Region 6 shall not attempt to or actually redomesticate to another jurisdiction.

This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one year limitation does not apply to any conditions prescribed by the Department in the Order.



Jessica K. Altman
Insurance Commissioner
Commonwealth of Pennsylvania