

August 7, 2018

Tim Farber, Esquire
Locke Lord
111 South Wacker Drive
Chicago, IL 60606

Re: Form A Statement Regarding the Acquisition of Control of
5 Pennsylvania Domiciled Insurance Company Subsidiaries
of Aetna, Inc. (“PA Domestic Insurers”)

Dear Mr. Farber:

The Pennsylvania Insurance Department (the “Department”) has made a preliminary review of the above-referenced Form A filing. Based upon this preliminary review, the Department has compiled the below list of additional items necessary to the review of the filing. Your responses and any related documents will become part of the public files, unless you have asserted the confidentiality of the information and the Department has accepted such assertion. When preparing your response, please reference the number of the Department’s request to which you are responding.

Form A Statement

1. Provide the principal place of business (city and state) for Merger Sub.
2. The Form A states that the CVS Health Board will be increased by three and that the seats will be filled by representatives of Aetna. At the time of the Form A filing, Mark T. Bertolini was selected for one of the seats. Have the two other individuals been identified? If so, please provide such names and biographical affidavits.
3. Although throughout the Form A filing there is robust discussion around the Bridge Facility, Joinder to the Bridge Facility and Term Loan Agreement, there is minimal discussion around a more long-term solution for financing. Provide an update as to where you are in this process. Additionally, provide copies of any follow-up questions or requests by any state department of insurance relating to the transaction financing including repayment plans and sources of funds, and the responses to such questions or requests.

Agreement and Plan of Merger

4. Provide the disclosure schedules to the Agreement and Plan of Merger.

Tim Farber, Esquire

Page 2 of 2

August 7, 2018

5. Section 3.02 Directors and Officers of the Surviving Corporation - notes that the “directors of Merger Sub immediately prior to the Effective Time shall be the directors of the Surviving Corporation.” Please identify the directors of Merger Sub.
6. Section 4.28, Opinions of Financial Advisors – Provide a copy of the fairness opinion(s) received by the board of directors of Aetna, Inc.

Miscellaneous

7. Provide a quantitative evaluation of the potential impact of the proposed transaction on other insurers in Pennsylvania, and a quantitative evaluation of the potential impact of the proposed transaction on Pennsylvania consumers, including, but not limited to, whether and how Pennsylvania consumers will benefit from the estimated annual synergies of \$750 million expected from the proposed transaction.
8. Provide a list of the regulatory filings of the Applicant. In a June 12, 2018, email subject “Form A Approvals” you provided the Department with documentation evidencing Form A approvals by a number of state insurance regulatory authorities. Please supplement the June 12th email with documentation of any subsequent Form A approval(s).
9. I have attached DOI-135 “Business Plan for Acquisitions, Mergers and Redomestication.” The business plans provided at Exhibit 12 did not fully respond to DOI-135. Please supplement the Exhibit 12 business plans making certain that all 24 items are addressed for each PA Domestic Insurer.

Feel free to contact me at (717) 783-2144 or cbybee@pa.gov to discuss any of the above requests.

Sincerely,



Cressinda E. Bybee
Chief, Company Licensing Division

Attachment

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
BUSINESS PLAN FOR ACQUISITIONS, MERGERS AND REDOMESTICATIONS**

Company Name _____

Holding Company (if applicable) _____

ORGANIZATION AND MANAGEMENT

1. Describe office locations both before and after the transaction (include address and specific functions to be performed as applicable, e.g., Corporate Headquarters, Claims Office, Sales Offices etc.).
2. Please provide the current number of employees for each location for each Company and the corresponding estimated number of employees for each location for each Company after the proposed transaction. Describe the rationale for any anticipated change in the number of employees in each location as a result of the transaction.
3. Please submit an organizational chart of the Company's post acquisition management structure. Titles and names of key management personnel should be included.
4. Please provide a detailed job description for every management position on the organizational chart.
5. Please provide a statement of qualification for each key management person describing relevant insurance experience.
6. Describe the management controls to be used to identify potential short-term liquidity problems, long-term capital needs, and other significant capital and fund management variations or needs.
7. Describe the controls over the financial reporting functions that will be used to ensure that the financial statements are not misstated.
8. Describe the mechanism to be used when creating and monitoring the Company's formal operating budget.
9. Identify the key performance indicators to be tracked by management.

PRODUCTS AND SERVICES

10. Identify the Company's current and projected key products by line of business.
11. Please describe how these products/services are unique or superior to competitive products/services.

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
BUSINESS PLAN FOR ACQUISITIONS, MERGERS AND REDOMESTICATIONS**

12. Please describe the basis for the Company's proposed rate structure. Will the Company file rates and forms using ISO (or similar rating bureau) or will the Company file independently for rates and forms?

INTENDED MARKET

13. Please describe the results of any market research conducted. The description should include at a minimum:
- the Company's target market(s)
 - approach to sales for each target market and for each line of business (if they differ)
 - the Company's pricing strategies
14. What has the rate of growth been for each market segment over the last five years?
15. What is the projected growth rate in each market segment over the next five years?

POLICYHOLDER SERVICES

16. Please provide the total number of policyholders, by territorial location and line of business, for each company that will be affected by the transaction.
17. As a result of the transaction, will all in-force policies be renewed? If not, describe the process which will be used to determine which in-force policies, by line of business, will not be renewed. Provide a copy of the documents and time frames which will be used to effectuate any non-renewals.
18. Describe any anticipated changes to the current in-force policies, by line of business, that will occur as a result of the transaction. The description should include anticipated changes to coverages, premiums, Company name, etc.
19. Describe the process and proposed time frames which will be used to communicate the changes to the policyholders. Provide a sample of the communications which will be used.

AGENT SERVICES

20. Please provide the total number of agents, by territorial location, for each Company that will be affected by the transaction.

**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT
BUSINESS PLAN FOR ACQUISITIONS, MERGERS AND REDOMESTICATIONS**

21. What effect will the transaction have on the existing agency/agent contracts for each Company? If any agency/agent contracts will be terminated, please describe the process and time frames to be used in determining which contracts will be terminated.
22. Please describe the process and proposed time frames which will be used to advise the agency/agent of the transaction. Please provide a copy of any materials that will be distributed to the agency/agent in this regard.

FINANCIAL PROJECTIONS

23. Please attach pro forma financial projections consisting of balance sheets and income statements for a minimum of five years, separately indicating Pennsylvania business and National business.

GUIDELINES FOR PRO FORMA FINANCIAL STATEMENTS

- Financial projections should be prepared by a CPA firm, actuarial firm or qualified individual acceptable to the Department. In this regard, please identify the person's name and credentials that prepared the pro forma financial statements.
 - Financial projections must be prepared using statutory accounting principles.
 - All assumptions used in the preparation of the pro forma financial statements must be explained.
 - Please provide the Risk-Based Capital ratio (Total Adjusted Capital/Authorized Control Level Risk-Based Capital) for each of the five years using the pro forma financial projections (attention: ratios should be above the Company Action Level = 200%).
 - Please identify any tax implications avoided by or resulting from this transaction.
 - Please identify any SEC implications resulting from this transaction.
24. Please discuss any proposed reinsurance arrangements.