

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of New York Life Insurance : Companies Act, Article XIV of the
Company in Support of the Request for : Insurance Company Law of 1921, Act
Approval to Acquire Control of Life : of May 17, 1921, P. L. 682, as
Insurance Company of North America : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
: :
: Order No. ID-RC-20-10

DECISION AND ORDER

AND NOW, on this 24th day of November, 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. Life Insurance Company of North America (“LICNA”) is a domestic stock life insurance company organized pursuant to the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
2. Connecticut General Corporation (“CGC”) is an insurance holding company organized pursuant to the laws of Connecticut with its principal place of business in Bloomfield, Connecticut. CGC currently directly holds 100% of the issued and outstanding stock of LICNA.

3. Cigna Holding Company (“CHC”) is an insurance holding company organized pursuant to the laws of Delaware with its principal place of business in Bloomfield, Connecticut. CHC currently indirectly holds 100% of the issued and outstanding stock of CGC.
4. Cigna Corporation (“Cigna”) is an insurance holding company organized pursuant to the laws of Delaware with its principal place of business in Bloomfield, Connecticut. Cigna currently directly holds 100% of the issued and outstanding stock of CHC. Cigna is publicly traded on the New York Stock Exchange, and no person controls 10% or more of Cigna.

Identity of Applicant

5. New York Life Insurance Company (“NY Life”) is a foreign mutual life insurance company organized pursuant to the laws of New York with its principal place of business in New York, New York.

Acquisition Filing

6. 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.
7. On January 31, 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 NY Life for approval to acquire control of LICNA.
8. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

9. On February 22, 2020, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by NY Life and such notice invited interested persons to submit comments to the Department regarding the Application for thirty (30) days following the date of the publication (“Comment Period”).
10. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

11. As described in the Application, on December 17, 2019, CHC, Cigna and NY Life entered into a Purchase and Sale Agreement (as amended “the Agreement”).
12. As described in the Application and pursuant to the Agreement, NY Life intends to purchase 100% of the issued and outstanding stock of LICNA from CGC (“the Acquisition”).
13. As described in the Application, the source of funds would be from a combination of cash on hand and the proceeds from the issuance of surplus notes.
14. As described in the Application and subsequent to the Acquisition, NY Life would directly control 100% of the issued and outstanding stock of LICNA.
15. As described in the Application, NY Life would become the sole ultimate controlling person of LICNA as a result of the Acquisition.
16. The intention of CHC, Cigna and NY Life is to complete this acquisition subject to LICNA divesting itself of all equity interests in Cigna & CMB Life Insurance Company, Limited, a Chinese-domiciled entity and partially owned subsidiary of LICNA (“Joint Venture”).
17. The divestiture of the Joint Venture is subject to approval by the China Banking and Insurance Regulatory Commission.

Standards for Review

18. 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.
19. 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

20. 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.
21. 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.

22. The classes 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).
23. The minimum paid up capital stock and paid in surplus required of a stock insurer for each class of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
24. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), LICNA 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.
25. Upon completion of the Acquisition, LICNA 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

26. 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 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”).
27. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
28. NY Life complied with the informational requirements of the Insurance Holding Companies Act by filing a pre-acquisition notification in the format required by the National Association of Insurance Commissioners.
29. The Department’s analysis of the applicable product and geographic markets, and the information submitted by NY Life, indicate that the default product markets (annual statement lines of business) and the default geographic market (state-wide) under Section 1403(d)(2)(iii)(B) of the Insurance Holding Companies Act are appropriate.
30. For all lines of business, except Group Life, the proposed acquisition of control qualifies for the exemptions set forth in Section 1403(b)(2)(v)(A)-(C) of the Insurance Holding Companies Act.
31. The Department examined whether the line of business in paragraph 28 establishes a prima facie violation of the competitive standard pursuant to Sections 1403(d)(2)(i) and 1403(d)(2)(ii) of the Insurance Holding Companies Act.

32. For the line of business listed in paragraph 28 above, the market share percentages of NY Life and their Pennsylvania operating insurance subsidiaries and LICNA do not represent a prima facie violation of the competitive standard of Section 1403(d)(2)(i) of the Insurance Holding Companies Act.
33. With respect to the line of business listed in paragraph 28 above, there is no prima facie violation of the competitive standard of Section 1403(d)(2)(ii) of the Insurance Holding Companies Act.
34. Section 1403(d)(2)(iv) of the Insurance Holding Companies Act further provides that even if an acquisition is not prima facie violative of the competitive standard under Section 1403(d)(2)(i) or (ii) as described above, the requisite anti-competitive effect may be established based upon other substantial evidence. Relevant factors for making such determination include, but are not limited to, the following: market shares, volatility of ranking of market leaders, number of competitors, concentration, trend of concentration in the industry and ease of entry and exit into the market.
35. Based upon the information submitted by NY Life, the Department has not found that there is substantial evidence of anti-competitive effect.

Financial Condition of Applicant

36. 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).
37. The Department has reviewed the financial information submitted by NY Life.
38. The financial condition of NY Life would not pose any impediments to the change in control nor jeopardize the financial condition of LICNA.

Plans for the Acquired Insurer

39. 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.
40. 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.
41. As stated in the Application, NY Life has no future plans or proposals to declare any extraordinary dividend, to liquidate LICNA, to sell its assets, to merge or consolidate it with any person or persons or to change its corporate structure.
 42. As stated in the Application, NY Life expects to retain a portion of the existing management team and substantially all employees of LICNA.
 43. 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

44. 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.
45. Biographical affidavits for all of the officers and directors of NY Life were reviewed by the Department.
46. Biographical affidavits for all of the proposed new executive officers and directors of LICNA were reviewed by the Department.
47. The Department is satisfied that the persons who would control the operations of LICNA 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

48. 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.
49. 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

50. 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.
51. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
52. 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 LICNA.
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;
 - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,

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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 New York Life Insurance Company (“NY Life”) in support of the request for approval to acquire control of Life Insurance Company of North America (“LICNA”) as set forth in the application, is hereby approved, subject to this Order and the following condition:

1. NY Life 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 a period of six (6) months after the effective date of the subject transaction, NY Life shall not take affirmative action to reduce the number of employees of LICNA principally located in Pennsylvania, without application to and the prior written approval of the Department.
3. For a period of two (2) years after the effective date of the subject transaction, NY Life shall provide written notice to the Department of any planned or proposed reductions in staff that would affect more than ten percent (10%) of the employees of LICNA principally located in Pennsylvania as of, or within six (6) months prior to, the effective date of the subject transaction. For purposes of this condition, as of any date, the ten percent (10%) threshold shall be determined based upon a rolling twelve (12) month period. Such notice, which shall specify the reasons for the reduction in force and include information regarding planned or proposed severance pay and relocation

opportunity arrangements, shall be filed with the Department at least ninety (90) days prior to any such planned or proposed reductions.


4. For a period of two (2) years after the effective date of the subject transaction, LICNA shall not close or cease actively doing business from:
 - a) The corporate office of LICNA, located in Philadelphia, Pennsylvania; or
 - b) Any other office located in Pennsylvania,

In each case without application to and the prior written approval of the Department.

5. For three (3) years following the effective date of the acquisition, LICNA 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.
6. For a period of five (5) years after the effective date of the subject transaction, LICNA shall not voluntarily withdraw any certificate of authority to engage in the insurance business in the Commonwealth of Pennsylvania without the prior written approval of the Department.
7. For a period of five (5) years after the effective date of the subject transaction, LICNA shall not attempt to 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