

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Aetna, Inc. Requesting	:	Holding Companies Act, Article
Exemption from the Requirements of	:	XIV of the Insurance Company
40 P.S. §991.1402 for the Restructuring of	:	Law of 1921, Act of May 17, 1921,
the Holding Company System that	:	P.L. 682, <u>as amended</u> , 40 P.S.
Contains Aetna Dental, Inc.	:	§§991.1401, 991.1402, and
	:	991.1403
	:	
	:	
	:	ID-RC-04-04

DECISION AND ORDER

AND NOW, on this 27th day of February, 2004, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy 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 Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

Identity of Parties

1. Aetna Dental, Inc. (“Aetna Dental”) is a risk assuming preferred provider organization that is not a licensed insurance company (“RANLI PPO”) organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Blue Bell, Pennsylvania.
2. Aetna Health Holdings, LLC (“Aetna Health Holdings”) is a limited liability company organized pursuant to the laws of the state of Delaware with its principal place of business located in Hartford, Connecticut. Aetna Health Holdings currently owns 100% of the issued and outstanding voting stock of Aetna Dental.

3. Aetna Life Insurance Company (“Aetna Life”) is an admitted life insurance company organized pursuant to the laws of the state of Connecticut with its principal place of business located in Hartford, Connecticut.
4. Aetna, Inc. (“Aetna”) is a business corporation organization pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Hartford, Connecticut. Aetna Health Holdings and Aetna Life are 100% directly owned subsidiaries of Aetna.
5. Aetna is the ultimate controlling person of the holding company system that contains Aetna Dental.

Filing of Application

6. On January 12, 2004, the Pennsylvania Insurance Department (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Request”) from Aetna for approval to effectuate a restructuring of its holding company system that involves the following transactions:
 - a) the transfer of direct control of the voting stock of Aetna Dental; and
 - b) the subsequent merger of Aetna Dental with and into Aetna Life with Aetna Life being the survivor.
7. 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. (“Insurance Holding Companies Act”), provides that all mergers or other acquisitions of control of domestic RANLI PPOs must be filed with the Department for approval or disapproval.
8. The Request was filed with the Department pursuant to Section 1402 of the Insurance Holding Companies Act.
9. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402 if the transaction:
 - a) does not have the effect of changing or influencing the control of a domestic RANLI PPO, or
 - b) is otherwise not comprehended within the purposes of the section.

Notice and Filing of Comments

10. On January 31, 2004, the Department published notice in the *Pennsylvania Bulletin* that the application had been submitted by Aetna and such notice invited

interested persons to submit comments regarding the merger of Aetna Dental with and into Aetna Life to the Department for a 14-day period, ending February 14, 2004.

11. During the 14-day public comment period, the Department received no comments regarding the merger transaction.

The Transactions

12. As described in the Request, Aetna Health would transfer 100% of the issued and outstanding voting stock of Aetna Dental to Aetna.
13. As described in the Request, Aetna Dental would become a 100% directly owned subsidiary of Aetna. Aetna would remain the ultimate controlling person of Aetna Dental following the transfer of direct control.
14. As described in the Request, subsequent to the transfer of direct ownership of Aetna Dental from Aetna Health to Aetna, Aetna would merge Aetna Dental with and into Aetna Life.
15. The September 30, 2003, Quarterly Statement of Aetna Dental, as filed with the Department and prepared in accordance with statutory accounting principles, reports licensure and direct premiums written only in Pennsylvania.
16. Aetna Life is licensed in Pennsylvania to write the same type of business written by Aetna Dental.
17. As described in the Request, Aetna would remain the ultimate controlling person of Aetna Life following the merger.

Standards for Review

18. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402 if the transaction does not have the effect of changing or influencing the ultimate control of a domestic RANLI PPO.
19. The Deputy Commissioner finds that the transactions described in the Request would not have the effect of changing or influencing the control of a domestic RANLI PPO.
20. 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 acquisition of control or merger of a domestic RANLI PPO if, after consummation thereof, a person would be in control of the domestic RANLI PPO.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt the acquisition of control or merger from the requirements of Section 1402 if the acquisition of control or merger does not have the effect of changing or influencing control of a domestic RANLI PPO.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed acquisition of control described in the Request would not have the effect of changing or influencing the control of a domestic RANLI PPO and is therefore exempt from the requirements of the Insurance Holding Companies Act.
4. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger described in the Request would not have the effect of changing or influencing the control of a domestic RANLI PPO and is therefore exempt from the requirements of the Insurance Holding Companies Act.
5. The Request satisfies the requirements of all applicable laws and regulations.
6. 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 Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the application of Aetna, Inc. requesting approval for the restructuring of the holding company system that contains Aetna Dental, Inc. in transactions exempt from the requirements of 40 P.S. §991.1402, as set forth in the Request, is hereby granted subject to this Order and the follow condition:

A copy of the Articles of Merger shall be filed with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation