

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402
: and 1403 of the Insurance Holding
Application of Cigna Corporation in : Companies Act, Article XIV of the
Support of the Request for Approval to : Insurance Company Law of 1921, Act
Acquire Control of Bravo Health : of May 17, 1921, P. L. 682, as
Pennsylvania, Inc. : amended, 40 P.S. §§991.1401,
: 991.1402 and 991.1403
: :
: Order No. ID-RC-12-02

DECISION AND ORDER

AND NOW, on this 11th day of January, 2012, Michael F. Consedine, 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

1. Bravo Health Pennsylvania, Inc. (“Bravo”) is a domestic health maintenance organization (“HMO”) organized under the laws of Pennsylvania with its principal place of business in Philadelphia, Pennsylvania.
2. HealthSpring, Inc. (“HealthSpring”) is a foreign holding company organized under the laws of Delaware with its principal place of business in Franklin, Tennessee. HealthSpring indirectly controls 100% of the issued and outstanding stock of Bravo.
3. No entity controls HealthSpring.
4. HealthSpring is the sole ultimate controlling person of Bravo.

5. Cigna Magnolia Corp. (“Magnolia”) is a newly created foreign company organized expressly for this transaction under the laws of Delaware with its principal place of business in Bloomfield, Connecticut.
6. Cigna Corporation (“Cigna”) is a foreign company organized under the laws of the Delaware with its principal place of business in Bloomfield, Connecticut. Cigna currently indirectly controls 100% of the issued and outstanding stock of Magnolia.
7. No entity controls Cigna.
8. Cigna is the sole ultimate controlling person of Magnolia.

Acquisition Filing

9. 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.
10. On November 3, 2011, 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 Cigna for approval to acquire control of Bravo.
11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

Department Procedures

12. On November 19, 2011, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Cigna 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”).
13. The Department received no comments regarding the Application during the Comment Period.

Description of the Proposed Acquisition

14. As described in the Application, on October 24, 2011, Magnolia and HealthSpring entered into an Agreement and Plan of Merger (“Agreement”) whereby Magnolia would merge with and into HealthSpring.

15. As described in the Application and pursuant to the Agreement, Cigna would acquire indirect control of 100% of the issued and outstanding stock of Bravo.
16. As described in the Application, Cigna would fund the entire purchase price from a combination of the net proceeds from recently issued notes, the anticipated net proceeds from the sale of Cigna common stock and the issuance of commercial paper, and on hand cash and cash equivalents.
17. As described in the Application, Cigna would become the sole ultimate controlling person of Bravo upon completion of the merger.

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.

Licensing Requirements

19. 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 HMO being acquired .
20. The minimum net worth required of an HMO is set out in Section 301.121 of Title 31 of the Pennsylvania Code (31 Pa. Code §301.121).
21. As described in the Application, upon completion of the merger, Bravo will continue to have a net worth in an amount sufficient to satisfy the minimum net worth requirement for a licensed HMO.

Competitive Impact

22. The acquisition of control of Bravo is subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
23. The acquisition of control of Bravo will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Cigna does not exceed the market share levels established in Section 1403.

Financial Condition of Applicant

24. 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).
25. The Department has reviewed the annual financial statement submitted by Cigna as of December 31, 2010.
26. As of December 31, 2010, Cigna reported:

Assets of \$45,682,000,000
Liabilities of \$39,019,000,000
Surplus as regards policyholders of \$6,663,000,000
27. The financial condition of Cigna would not pose any impediments to the change in control nor jeopardize the financial condition of Bravo.

Plans for the Acquired Insurer

28. 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.
29. As stated in the Application, Cigna has no future plans or proposals to liquidate Bravo, to sell its assets, to merge or consolidate it with any person or persons, or to make any other material change in its business operations or corporate structure.

Management

30. 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.
31. Biographical affidavits for all directors and executive officers of Cigna were reviewed by the Department.
32. The Department is satisfied that the persons who would control the operations of Bravo have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
33. 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 Bravo.
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 Bravo.
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 Cigna Corporation (“Cigna”) in support of the request for approval to acquire control of Bravo Health Pennsylvania, Inc. as set forth in the application, is hereby approved, subject to this Order and the following condition:

Cigna 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.

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.

Michael F. Consedine
Insurance Commissioner
Commonwealth of Pennsylvania