

September 23, 2015

Carol Carson, Executive Director
Office of State Ethics
18-20 Trinity Street, Suite 205
Hartford, CT 06106-1660

RE: Written Statement under C.S.G. §1-86 of Ability to Participate Fairly, Objectively, and in the Public Interest in the Review and Action on Anthem's Form A Seeking Control of Connecticut Domiciled Insurance Subsidiaries of Cigna Corporation

Dear Executive Director Carson:

This is to advise the Office of State Ethics ("OSE") of my decision as Insurance Commissioner to review and take action on the Form A filed by Anthem, Inc. ("Anthem") seeking control of Cigna Corporation's insurance and health care companies domiciled in the State of Connecticut ("Anthem Form A Application").

I have previously disclosed to the OSE that I was an employee of Cigna Corporation ("Cigna") from 1992 to 2013 and that my husband, Michael T. Wade, is currently employed by Cigna Corporation as Associate Chief Counsel, Litigation, in the Law Department.

The primary reasons why I believe I have the ability to participate fairly, objectively, and in the public interest in the Anthem Form A Application are as follows:

1. The Anthem Form A Application requires the Insurance Commissioner to make conclusions about Anthem, a Fortune 100 company with which I have never been employed and have never been "associated" as that term is defined in C.S.G.A. §1-79(2).

The Form A process is prescribed by the Insurance Holding Company Act ("Holding Company Act").¹ The purpose of the Holding Company Act is "to safeguard the financial security of Connecticut domestic insurance companies by empowering the Insurance Commissioner to supervise the activities of insurance companies doing business within this state which are affiliated with an insurance holding company system, to review the acquisition of control over the management of domestic insurance companies, however effectuated, and to provide standards for such supervision and review."²

Anthem, as the acquiring party, must file the Form A with the Insurance Commissioner under oath or affirmation and disclose the following information.³

- Identification of the domestic insurer and a description of how control is to be acquired or the merger effected.

¹ C.G.S. § 38a-129 to 38a-140, inclusive.

² C.G.S. § 38a-129.

³ Described in detail in Items 1 - 13 of the Form A, Appendix A, Conn. Agencies Regs. § 38a-138-1.

- Identity and background of the Form A applicant.
- Identity and background of individuals associated with the applicant.
- Source, nature and amount of consideration to be used in effecting the merger or other acquisition of control.
- A description of any plans or proposals the acquiring party may have for the domestic insurer, such as declaration of an extraordinary dividend, changes in corporate structure or management, plans to merge, consolidate or liquidate the company, plans to sell its assets, plans to make any other material change in the domestic insurer's business operations, or plans or proposals of the acquiring party or its affiliates which may have a material effect on the insurer.
- A description of the voting securities of the insurer to be acquired and a statement outlining the fairness of the proposal.
- The amount of each class of any security which is beneficially owned or concerning which there is a right to acquire beneficial ownership.
- A description of contracts, arrangements or understandings in which the acquiring party is involved regarding the domestic insurer's securities such as transfers, options, puts, calls, joint ventures, loan or profit guarantees, etc.
- A description of purchases of the domestic insurer's voting securities made by the acquiring party, its affiliates or any person associated with the applicant during the preceding 12 months.
- A description of any recommendations to purchase any voting security of the domestic insurer made by the applicant, its affiliates or any person associated with the applicant during the preceding 12 months.
- The terms of any agreement, contract or understanding made with, or proposed to be made with, any broker-dealer for the solicitation of securities of the domestic insurer for tender.
- Fully audited financial information regarding earnings and financial condition of the acquiring party for the last preceding five fiscal years; three-year financial projections of the insurer(s), copies of tender offers, exchanges offers, agreements to acquire and related solicitation material.
- Agreement of the applicant to provide the Commissioner with the information required by Form F (requirements for enterprise risk management).
- Other information consisting of: (1) copies of any regulatory filings made in connection with the proposed acquisition or merger (such as filings with the Securities and Exchange Commission, the U.S. Department of Justice,

or any other Federal or State regulatory agency; (2) an analysis of the competitive impact in the State of Connecticut on each line of insurance listed in the domestic insurer's annual financial statements; and (3) such additional information as the Insurance Commissioner may prescribe as necessary for the protection of policyholders of the insurance company or in the public interest.

2. The Form A process is public, transparent, and permits comment from interested parties.

The Holding Company Act requires that a public hearing be held on the Anthem Form A Application within 30 days after the Commissioner determines all information has been filed.⁴ It is customary for the Insurance Commissioner to appoint a hearing officer from her staff to preside at the public hearing for the receipt of evidence, testimony, public comment, and to make findings of fact, conclusions of law and recommendation(s) to the Insurance Commissioner on the issuance of the appropriate order(s) to be entered by the Commissioner.⁵

Once any Form A is filed with the Insurance Commissioner, the Insurance Department staff conducts a preliminary review of the application⁶. Upon completion of such review⁷, the Department will acknowledge receipt of the application and inform the acquiring party of any items in need of clarification or of any missing items needed to complete the filing. Following the review of the additional information

⁴ Conn. Gen. Stat. § 38a-132(b)(1). If any amendment to the Form A is filed, the Commissioner may postpone the public hearing for a reasonable period not to exceed 30 days after the filing of such amendment. If the proposed merger or other acquisition of control also requires the approval of insurance regulatory officials in another state, Conn. Gen. Stat. § 38a-132(b)(3) permits the Commissioner to hold a consolidated hearing before the insurance regulatory officials of the states in which the insurance companies are domiciled who shall hear and receive evidence. An insurance regulatory official may attend such hearing in person or by telecommunication.

⁵ See, e.g., proposed acquisition by MetLife, Inc. of The Travelers Insurance Company and The Travelers Life and Annuity Company, Ins. Dept. Docket No. EX 05-21 (June 30, 2005) (<http://www.ct.gov/cid/lib/cid/metlifeordec.pdf>); see also proposed acquisition of control of or merger with The Travelers Property Casualty Corp. subsidiaries by The St. Paul Companies, Inc., Ins. Dept. Docket No. EX 04-20 (March 3, 2004) (<http://www.ct.gov/cid/lib/cid/notistpa.pdf>)

⁶ The Holding Company Act specifies that "[a]ll expenses incurred by the Commissioner in connection with the proceedings under this section, including all expenses for the services of any attorneys, actuaries, accountants and other experts not otherwise a part of the Commissioner's staff as may be reasonably necessary to assist the Commissioner in reviewing the proposed merger or other acquisition of control shall be paid by the person filing the [Form A] statement..." Conn. Gen. Stat. § 38a-132(c).

⁷ The statutes and regulations do not specify a time by which the Insurance Department's review of the Form A is to be completed. Obviously, a reasonable period of time to review for Form A will be inferred which will depend on staffing levels, the complexity of the proposed acquisition or merger, other pending applications, etc.

requested, Department staff will inform the Commissioner that the Form A application is complete and she will order a public hearing⁸ and direct that the applicant publish notice one or more times in one or more newspapers in Connecticut and elsewhere as appropriate.

If any amendment to the Form A is filed, the public hearing may be postponed by the Commissioner for a reasonable period not to exceed 30 days after the filing of the amendment.⁹

The Holding Company Act provides that the Form A applicant, the domestic insurer, any person to whom notice of hearing was sent and any other affected person shall have the right to present evidence, have counsel, examine or cross-examine witnesses and offer oral and written argument; and conduct related discovery proceedings.¹⁰

Within 30 days after the conclusion of the hearing, the Insurance Commissioner must act on the Form A application.¹¹ The Insurance Holding Company Act mandates that the Commissioner approve any merger or other acquisition of control of a domestic insurer, unless she finds that:

- After the change of control, the domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines for which it is presently licensed;
- The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly herein;
- The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurance company or prejudice the interests of its policyholders;
- The plans or proposals which the acquiring party has to liquidate the insurance company, 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, are unfair and unreasonable to policyholders of the insurance company and not in the public interest;

⁸ Conn. Gen. Stat. § 38a-132(b) requires the Commissioner to provide at least 20 days advance notice of the hearing to the person filing the Form A. The person filing the Form A statement shall (A) provide at least 7 days' notice of the public hearing to the insurance company and to such other persons as may be designated by the Commissioner, (B) publish, in a manner prescribed by the Commissioner, notice of such hearing in a newspaper of general circulation in the city of Hartford and in such other municipality as the commissioner may direct, and (C) provide notice in such other manner as the Commissioner deems appropriate under the circumstances.

⁹ Conn. Gen. Stat. § 38a-132(b)(1).

¹⁰ Conn. Gen. Stat. § 38a-132(b)(2). The discovery proceedings shall be conducted in the same manner as is prescribed by the rules for the Superior Court. All discovery proceedings shall be concluded not later than three days prior to the commencement of the public hearing.

¹¹ Conn. Gen. Stat. § 38a-132(a)(1)

- The competence, experience and integrity of those persons who would control the operation of the insurance company are such that it would not be in the interest of policyholders of the insurance company and of the public to permit the merger or other acquisition of control; or
- The acquisition is likely to be hazardous or prejudicial to those buying insurance.¹²

3. I do not have a substantial conflict under C.G.S. §1-85 and can take official action on the Anthem Form A Application.

Under C.G.S. Sec. 1-85, the insurance commissioner "has an interest which is in substantial conflict with the proper discharge of [her] duties or employment in the public interest and of [her] responsibilities as prescribed in the laws of this state, if [s]he has reason to believe or expect that [s]he, [her] spouse, a dependent child, or a business with which [s]he is associated will derive a direct monetary gain or suffer a direct monetary loss, as the case may be, by reason of [her] official activity." This statute also provides that the insurance commissioner does not have a substantial conflict "if any benefit or detriment accrues to [her], [her] spouse, a dependent child, or a business with which [s]he, [her] spouse or such dependent child is associated as a member of a profession, occupation or group to no greater extent than any other member of such profession, occupation or group." An insurance commissioner "who has a substantial conflict may not take official action on the matter."

Under C.G.S. Sec. 1-79(2), Cigna Corporation is not a business with which I am associated. The statute defines an associated business in pertinent part as:

Any sole proprietorship, partnership, firm, corporation, trust or other entity through which business for profit or not for profit is conducted in which the [insurance commissioner] or her immediate family is a director, officer, owner, limited or general partner, beneficiary of a trust or holder of stock constituting five per cent or more of the total outstanding stock of any class... "Officer" refers only to the president, executive or senior vice president or treasurer of such business.

At Cigna, my highest position was Vice President; so I did not meet the statutory definition of officer. Similarly, my husband, who is Associate Chief Counsel, Litigation, in the Law Department, is not an officer. As one of the nation's largest insurance companies, Cigna has a market capitalization of approximately \$28 billion. Our financial statements clearly reflect that neither of us holds 5% of any class of stock. In fact, I hold no shares of Cigna stock, having divested my interests on April 15, 2014. My husband holds only unvested shares from previous grants made in the normal course under Cigna's employee compensation plans similar to other employees, which will be put in a blind trust when vested.

¹² Conn. Gen. Stat. § 38a-132(a).

I have no continuing interest in Cigna's 401(k) or pension plans, having transferred all balances to UBS on March 12, 2014. My husband is a participant in Cigna's defined contribution cash balance pension plan, which is no longer offered as a benefit and he participates in Cigna's defined contribution 401(k) plan on the same terms as offered to all Cigna employees.

My husband's continued employment with Cigna and/or Anthem is not a matter determined by the Anthem Form A application.

To ensure that there would not be a substantial conflict of interest under the Code of Ethics, I took the following steps:

1. OSE guidance was sought prior to my nomination on February 13, 2015 with a response on February 20, 2015.
2. I stated that I would recuse myself as Commissioner on any matter involving Cigna with which I had active involvement during my employment, which ended in December 2013.
3. My husband and I put our assets into a blind trust with an independent fiduciary having sole and exclusive authority to make transactions. My husband's unvested Cigna stock when vested will be put into the blind trust.
4. Cigna formally firewalled/recused my husband from any matters involving the State of Connecticut Insurance Department. This action was memorialized in writing and has been scrupulously respected by my husband and Cigna, which as a publicly traded company subject to Sarbannes-Oxley is accustomed to such firewalls.
5. In any matter involving Cigna in which I did not have any active involvement, I would follow the procedures of C.G.S. Sec. 1-86 and either recuse myself or provide to the OSE "a written statement signed under penalty of false statement describing the matter requiring action and the nature of the potential conflict and explaining why despite the potential conflict, [I am] able to vote and otherwise participate fairly, objectively and in the public interest. "

I have so followed these commitments in making my conclusions set forth in this letter.

Should you have any questions, please contact me immediately.

Sincerely,

A handwritten signature in black ink that reads "Katharine L. Wade". The signature is written in a cursive, flowing style.

Katharine L. Wade

00000000

STATE OF CONNECTICUT :
 : ss. Hartford
COUNTY OF HARTFORD :

On September ^{23rd}, 2015, before me, the undersigned officer, personally appeared Katharine L. Wade (known to me or proven to be), who acknowledged that she executed the foregoing instrument for the purposes therein contained and that the statements therein contained are true and accurate under penalty of false statement.

In witness hereof, I have placed my seal.

Patricia A. Bowen

Notary Public
My Commission Expires: September 30, 2018