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DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI

IN RE: PROPOSED ACQUISITION OF COVENTRY HEALTH CARE OF MISSOURI, INC.; HEALTHCARE USA OF MISSOURI, L.L.C.; AND CAMBRIDGE LIFE INSURANCE COMPANY
BY
AETNA INC.

Case No. 120920539C

FORM A HEARING
TRANSCRIPT OF PROCEEDINGS

OCTOBER 25, 2012

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DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION
STATE OF MISSOURI

IN RE:	Proposed Acquisition of:)	
	)	
	Coventry Health Care of)	
	Missouri, Inc., HealthCare)	Case No.
	USA of Missouri, L.L.C.,)	120920539C
	and Cambridge Life)	
	Insurance Company)	
	)	
	by)	
	)	
	Aetna Inc.)	

FORM A HEARING
OCTOBER 25, 2012
9:00 a.m.
HARRY S. TRUMAN STATE OFFICE BUILDING
301 WEST HIGH STREET, ROOM 530
JEFFERSON CITY, MO 65109

Before:
Mary S. Erickson, Hearing Officer

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A P P E A R A N C E S

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P R O C E E D I N G S

(Proceedings commenced at 9:08 a.m.)

HEARING OFFICER ERICKSON: I call this hearing to order at approximately 9:08 a.m. on October 25, 2012. This hearing is the matter of IN RE Proposed Acquisition of Coventry Health Care of Missouri, Inc.; HealthCare USA of Missouri, L.L.C.; and Cambridge Life Insurance Company by Aetna Inc., Case No. 120920539C. This hearing is being held at the office of the Missouri Department of Insurance, Financial Institutions and Professional Registration in the Harry S. Truman State Office Building in Jefferson City, Missouri. My name is Mary Erickson. I am Chief Counsel, Insurance Division with the Department, and I am the hearing officer in this matter.

On September 12 -- pardon me -- September 17, 2012, Aetna Inc. filed a Form A Statement proposing to acquire control of Coventry Health Care of Missouri, Inc.; HealthCare USA of Missouri, L.L.C.; and Cambridge Life Insurance Company. This hearing is being held pursuant to Section 382.060. Pursuant to that statute, the person filing the statement, the insurer, any person to whom notice of hearing was sent, and any other person whose interest may be

affected shall have a right to present evidence, exam and cross-examination witnesses, and offer oral and written arguments.

At this time I ask the counsel for the parties to identify themselves for the record and also to identify any witnesses who will be testifying today. Mr. Whitmer?

MR. WHITMER: Good morning. My name is Steven Whitmer. I am counsel for Aetna Inc., the applicant. We will be presenting five witnesses today. First of all, Gregory Martino will be testifying. Second of all, we're going to have Mr. Drew Asher, who will be providing testimony, at the end of the table. Third, Mr. Roman Kulich at the end of the table. Next is Kimberly Covert, who will be providing testimony. And then finally, Jonathan Weinberg. Each one of the individuals will introduce themselves and provide background information about their title, role, and responsibilities.

HEARING OFFICER ERICKSON: Thank you, Mr. Whitmer. Mr. Stahlhuth?

MR. STAHLHUTH: Yes. Mark Stahlhuth for the Division of Insurance Company Regulation and to the extent necessary by absence for the Division of Market Regulation.

HEARING OFFICER ERICKSON: All right. Let --

MR. STAHLHUTH: And we intend to present no witnesses.

HEARING OFFICER ERICKSON: Thank you, Mr. Stahlhuth. I understand there may be a pending motion from Aetna today.

MR. WENZEL: Yes, Ms. Erickson. This is Keith Wenzel. I'm with Spencer Fane Law Firm and I'm representing Aetna. I have a motion for admission of pro hac vice for the admission of Mr. Whitmer for the purpose of attending this hearing and participating in this hearing.

HEARING OFFICER ERICKSON: Mr. Stahlhuth, any objection?

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Motion for admission pro hac vice is granted. And, Mr. Whitmer, you may proceed with your evidence.

MR. STAHLHUTH: We'd first like to call Mr. Gregory Martino.

GREGORY MARTINO, being sworn, testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. WHITMER:

Q. Good morning, Mr. Martino. Could you

please introduce yourself to Ms. Erickson.

A. Yes. Good morning. I am Gregory Martino.

Q. What is your current title?

A. I currently work for Aetna Inc., and I am the assistant vice president at Aetna.

Q. And, sir, are you an officer of Aetna Inc.?

A. Yes, I am.

Q. How long have you worked with the Aetna affiliation of companies?

A. For approximately 12 years.

Q. And could you explain for us briefly what your role and your responsibilities have been during that time period.

A. Yes. Over the time period, I've held a number of different roles and responsibilities including operating and overseeing forms filing for Aetna Inc. and Aetna's companies throughout the country. I've also been involved in regulatory affairs and overseeing some regulatory compliance programs dealing with regulatory relations. Also deal with government affairs with a number of different states. I've overseen compliance and market conduct activities and also been involved in a number of different transactions and working in states on approval of various transactions -- previous

transactions under Aetna. All this time really focusing my responsibilities on compliance and regulatory affairs.

Q. Sir, prior for working for Aetna, you were with the Pennsylvania Insurance Department from approximately 1988 through 2000; is that right?

A. Yes.

Q. Could you describe for us what your role, responsibilities, and titles were there.

A. Yes. Progressive responsibilities beginning as the director of market conduct activities and enforcement in 1988. Moving on to become deputy commissioner for consumer services and enforcement. Also serving a number of years as deputy commissioner for rates and forms, overseeing the health areas of life and the P & C area. And then additionally to that for a brief period of time for approximately four months served as acting insurance commissioner.

Q. Sir, we're here today to talk about the Aetna-Coventry transaction. Could you explain for us what has your role been with respect to that transaction?

A. I've gotten involved in the transaction just before the public announcement period. During this time and post after that for the past two and a

half months, I've been intimately involved in the transaction including preparing the 20 Form A filings that were filed with the various state departments, reviewing the 20 Form A filings, working with insurance departments as part of the team if they have questions regarding a Form A. And beginning this week with the hearings that are occurring on the Form A files and participating in the hearings.

Q. Are you here today to speak to all of the three entities that are discussed in your affidavit, first Coventry Health Care of Missouri, Inc.; second HealthCare USA of Missouri; and third Cambridge Life Insurance Company?

A. Yes, I am.

Q. Okay. And for clarification today, as we refer to Coventry Health Care of Missouri, we will just refer to that entity as Coventry Missouri as stated in your affidavit. HealthCare USA of Missouri will be referenced as just HealthCare USA, and Cambridge Life Insurance Company will be referenced just as Cambridge.

Sir, in front of you, which has been marked as Exhibit 1, is the Form A that has been submitted to the Department in this matter with a couple exceptions. Some of the portions which we're

requesting to be treated as confidential have been taken out. We'll talk about that in a second. Specifically Exhibits 7 and 10. But with respect to Exhibit 1 that's in front of you, can you speak to what that is?

A. Yes. It is the Form A filing filed in September with the Missouri Department of Insurance for the acquisition of the three Coventry companies you mentioned earlier.

Q. And, sir, what has been your role in connection with this Form A filing?

A. Gathering the information necessary, participating in the review process, reviewing the documents, and insuring that it was complete and accurate prior to submission.

Q. So, sir, you can speak to the completeness and accuracy of the Form A statement?

A. Yes, I can.

MR. WHITMER: And at this time we would request that Exhibit No. 1 be admitted into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 1 is admitted.

(Exhibit No. 1, Form A Filing, was then admitted into evidence.)

Q. Go ahead and keep it here. Sir, I'd like to now provide to you what has been marked as Exhibit No. 2 for identification. And this is Exhibit 7 to the Form A. It is the first set of biographical affidavits of the directors and executive officers of Aetna, which was provided along with the Form A. And my question to you is whether you recognize this document. Go ahead and take a few minutes to look through it.

A. Yes, I do.

Q. Okay.

MR. WHITMER: We would like to go ahead and request that Exhibit No. 2 be admitted into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 2 is admitted.

(Exhibit No. 2, Biographical Affidavits, was then admitted into evidence.)

Q. Sir, I'm now providing you with what I'm going to be requested be marked as Exhibit No. 3 for identification.

(Exhibit No. 3, Updated Biographical Affidavits, was then marked for identification by the reporter.)

Q. Sir, go ahead and take a look at Exhibit 3.

And first of all, the cover page. The cover page is an October 23, 2012, letter from Spencer Fane to the Department explaining that enclosed are updated biographical affidavits for the officers and directors of Aetna. Could you please go ahead and take a look at Exhibit 3.

A. Okay.

Q. Can you explain to us what Exhibit 3 is?

A. These are the updated biographical affidavits of the officers and directors of Aetna Inc.

MR. WHITMER: We would request at this time that Exhibit No. 3 be admitted into evidence.

HEARING OFFICER ERICKSON: Any objection?

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 3 is admitted.

(Exhibit No. 3, Updated Biographical Affidavits, was then admitted into evidence.)

MR. WHITMER: We are now requesting that this be marked as Exhibit No. 4.

(Exhibit No. 4, Financial Projections, was then marked for identification by the reporter.)

Q. Sir, Exhibit No. 4 is also just to the right of the exhibit marking marked as Exhibit No. 10, and that's because it was Exhibit 10 to the Form A

filing. Could you go ahead and take a look at that document, sir.

A. Okay.

Q. Do you recognize that document?

A. Yes, I do.

Q. And what is it?

A. These are the financial projections for the three companies as part of the transaction.

Q. Okay.

MR. WHITMER: And we now request that Exhibit No. 4 be admitted into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 4 is admitted.

MR. WHITMER: Thank you.

(Exhibit No. 4, Financial Projections, was then admitted into evidence.)

(Exhibit No. 5, Amendment No. 1 to Agreement and Plan of Merger, was then marked for identification by the reporter.)

Q. Sir, you have in front of you what's been marked as Exhibit No. 5. Can you please take a look through it, and then when you're ready, let me know and I want you to explain what it is.

A. Okay.

Q. Can you explain to us what Exhibit No. 5 is?

A. Exhibit No. 5 is Amendment No. 1 to the agreement and plan of merger between Aetna and Coventry.

MR. WHITMER: At this point we request that Exhibit No. 5 be admitted into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 5 is admitted.

(Exhibit No. 5, Amendment No. 1 to Agreement and Plan of Merger, was then admitted into evidence.)

(Exhibit No. 6, Notice of Hearing, was then marked for identification by the reporter.)

Q. Sir, I've just handed you Exhibit 6. Do you recognize the document?

A. Yes, I do.

Q. Explain to us what it is.

A. It is two documents. First is the -- issued by the director at the Missouri Insurance Department -- Department of Insurance providing notice of the hearing for today, October 25. And the second part of the exhibit is a transmittal to Coventry Health Care of Missouri, Coventry -- HealthCare USA of

Missouri, and Cambridge Life of notification from Aetna to Coventry of the date of the hearing.

MR. WHITMER: And first of all, we request that Exhibit No. 6 --

MR. STAHLHUTH: No objection.

MR. WHITMER: I was going to say -- request that No. 6 be admitted into evidence, Ms. Erickson.

HEARING OFFICER ERICKSON: On the back of my copy, Mr. Whitmer, there is a page that says Coventry Health Care of Nebraska, Inc. Is that on the back of your -- of the official exhibit as well?

MR. WHITMER: That was -- if we could take that piece off of the official exhibit, I'd appreciate that.

HEARING OFFICER ERICKSON: So to clarify, Mr. Whitmer, if you would, through your witness again exactly what we're looking at with Exhibit 6.

Q. (By Mr. Whitmer) Okay. Please go ahead now and clarify.

A. Certainly. We are looking at the official notice from the State of Missouri with the notice of the hearing. We are looking at the certification of the service, and lastly the notice to Coventry domestic insurers.

Q. Okay.

MR. WHITMER: And at this point we request that Exhibit No. 6 be admitted into evidence.

HEARING OFFICER ERICKSON: Mr. Martino, would you agree with me that this is an acknowledgment by Mr. Weinberg on behalf of the companies being acquired that they received notice?

MR. MARTINO: Yes, I would.

HEARING OFFICER ERICKSON: Thank you.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 6 is admitted.

MR. WHITMER: Thank you.

(Exhibit No. 6, Notice of Hearing, was then admitted into evidence.)

(Exhibit No. 7, Affidavit on Behalf of Aetna, was then marked for identification by the reporter.)

Q. Sir, we are now providing you with Exhibit No. 7. Do you recognize this document?

A. Yes, I do.

Q. What is it?

A. It is my affidavit on behalf of Aetna before the Missouri Department of Insurance regarding the acquisition of Coventry Health Care, HealthCare USA, and Cambridge Life.

Q. If you could, please turn to the very last page. In the bottom right-hand corner, can you confirm that that is indeed your signature?

A. Yes, I can.

Q. And further that at the time you signed the document, it was also notarized as set forth on page 17?

A. Yes.

Q. While you have this in front of you, sir, I'd like to start by talking about -- at the bottom of page 4. This affidavit is being submitted pursuant to Revised Statute of Missouri 382.060 and to address whether the requirements set forth therein have been satisfied for this transaction. Sir, are you familiar with that statute?

A. Yes, I am.

Q. And how is it that you became familiar?

A. I was provided with a copy of it and reviewed it.

Q. And are you prepared to speak today to the requirements that are set forth in the Missouri statute?

A. Yes, I am.

Q. Let's start, then, if we can with Requirement No. 1, which is set forth on page 5 of

your affidavit. This requirement speaks to the domestic insurers.

MR. WHITMER: And, Miss Erickson, as I say today the domestic insurers, we mean that to include all three of the entities that we defined previously on the record.

Q. And, sir, with respect to Requirement No. 1, speaks to whether the domestic insurers will continue to satisfy the requirements for issuance of a license as Missouri HMO's and insurance companies. Has that requirement been satisfied for this transaction?

A. Yes, it has.

Q. And can you explain to us how that is?

A. Yes. Currently today Coventry Health Care of Missouri, HealthCare USA of Missouri are both licensed as HMO in the State of Missouri and therefore satisfy the requirements set forth in the HMO Act of Missouri. Cambridge Life Insurance Company is currently licensed as a commercial insurance company in the state of Missouri, and therefore meet the requirements as set forth in the statute.

Q. Requirement 1 speaks to whether the domestic insurers will also continue to satisfy the licensure requirements. Can you speak to that also,

sir?

A. Yes, I can.

Q. Please do.

A. As set forth in the Form A filing, Aetna plans no significant changes to the operations of any of the three Missouri companies. As such, we really have no plans to change its operation. There will be no material changes to the operations of those two HMO's and insurance companies. We will continue to meet the capitalization requirements, the financial condition requirements, the legal operations, and the operations of that -- of that operation of those three companies.

Q. Sir, we're going to move forward. Now, in your affidavit you speak to Requirement No. 2. I am not going to ask you any questions today about that requirement because that is an issue to be addressed at the continuation of this hearing set for another date, so we are going to skip past Requirement 2.

A. Okay.

Q. Requirement 2 has to do with whether the transaction will substantially lessen competition or create a monopoly in Missouri. We will now jump forward to Requirement No. 3. Requirement No. 3 on page 10 of your affidavit speaks to whether the

financial condition of applicant will jeopardize the financial stability of the domestic insurer or prejudice the interests of the domestic insurers' policyholders. Can you speak to whether that requirement is satisfied for this transaction?

A. Yes, I can.

Q. And why is it?

A. Aetna's a large financial healthcare provider. It is a Fortune 100 company. It's been operating since 1853. As such, it has a long history of operating in the insurance business. In addition to that, it is a -- has revenues in excess of $33 billion a year. Therefore, it would continue to meet the financial obligations and would be -- meet the requirements of the Missouri statutes.

Q. Sir, let's move forward then. I'd like to address Requirement No. 4, which you address on page 11 of your affidavit. This requirement speaks to whether the transaction is fair and reasonable to the domestic insurers' policyholders and is in the interest of the public. Can you speak to that requirement?

A. Yes, I can.

Q. Please do.

A. The transaction would be beneficial and

would be in the best interest of the policyholders of Missouri. The Coventry companies in Missouri currently enjoy the benefits of a large national company such as Coventry. Coventry is an outstanding company. We recognize that. Aetna is also a very large -- larger national insurance company and has at its disposal significant resources. As such, the policyholders of Coventry Missouri, Coventry -- HealthCare USA of Missouri, and Cambridge Life will begin to experience not only the resources and the assets that they have under the Coventry umbrella, but also the benefits that will be available to them and also the resources available to them under a large company such as Aetna operating across the country.

Q. Sir, could you provide any additional detail, for example, with respect to products or services?

A. Certainly. I mean, I see it as a win for those members in Missouri because now they have benefits. They have access, network access. They have technology access through Coventry. Aetna is a -- Aetna is a significantly -- developed a lot of resources in this. They will also -- Coventry members in Missouri will also have access to product development based upon the network -- Aetna network

of -- Aetna family. They will have access to networks that expand. They will have access to the technology that Aetna has. So not only will they have access to the Coventry family right now and the resources that they have there, but they will also gain access to the Aetna resources and to the vast amount of resources and technology that's available through Aetna also.

Q. Sir, as you speak to this requirement, you also address on page 13 of your affidavit that applicant Aetna Inc. here has no plans with regard to the domestic insurers that are unfair or unreasonable. Can you also speak to that here?

A. Yes, I can. In looking at this -- in looking at this transaction, this is a good opportunity for Missouri particularly. It demonstrates how Coventry has a -- is a grass roots effort, and these will begin to dovetail very well together. When you begin to look at the market shares and look at the different types of business, you'll notice that Coventry has a focus on small group business, individual business. Aetna, quite in a different marketplace, plays in a larger group business. Putting these two together will just be a real win for the state of Missouri. It helps the policyholders because, as I mentioned earlier, the

greater access to different things. It will also benefit the public because now you have Aetna coming in to a state where it had problems getting some traction before, but will be able to, in fact, offer a full line of products. We'll have everything from individual products to group products, small groups and large group products.

In addition to that, because of the success of the small group and individual products currently in Missouri via Coventry Health and HealthCare and Cambridge Life, we really do not anticipate any material changes to those operations. We see those as successful grass root operations working today. And frankly enough, they're working very well, and that was part of the appeal of this company was, in fact, the grass root operations that they have.

Q. We are now going to move forward, sir, to Requirement No. 5. You provide substantial detail in your affidavit regarding the competence, experience, integrity of those who will control the domestic insurers following the acquisition. I'd like to identify some of the specific individuals at Aetna that you identified in your affidavit and ask you some questions about them.

First of all, as set forth in paragraph 63,

you address the current directors of Aetna, and you identify them to be Mr. Aguirre, Mr. Bertolini, Mr. Clark, Miss Cohen, Miss Coye, Mr. Farah, Miss Franklin, Mr. Garten, Miss Hancock, Mr. Harrington, Mr. Ludwig, and Mr. Newhouse. Sir, how is it that you've come to review information about these particular individuals?

A. I've obviously seen their bios as part of the Form A filing. Their biographical background information is there as well as the upgraded -- updated bios. Upon looking at those, those individuals clearly are individuals of competency, integrity, and have experience. They have been ultimately leading Aetna for a number of years now and believe that they will do an outstanding job as the ultimate -- ultimately overseeing the overall operations of the Coventry transaction.

Q. In paragraph 64 you speak to the current executive officers of Aetna, and you identify Mr. Bertolini, Mr. Zubretsky, Mr. Casazza, Miss Jones, Mr. Parmeswar, and Mr. Quirk. Can you speak to those individuals, and if so, how?

A. Yes. I've worked side by side with those individuals for a number of years. I've had an opportunity over the years to work them on projects

and different issues. I can tell you that based upon my experience and also their affidavits, which are included in the Form A, those individuals are individuals of competency, have experience in the insurance marketplace, and are individuals of high integrity.

Q. You've identified the current directors, the current executive officers. One additional element I'd like for you to speak to is whether there's an expectation that those directors and executive officers will change as a result of this transaction.

A. As we've mentioned and set forth in the Form A filing, we do not anticipate any material changes to the operations of Coventry Health and to the directors and the executive officers of Aetna.

Q. Then let's move to Requirement No. 6. That's on page 16 starting with paragraph 69. Requirement 6 speaks to whether this acquisition is likely to be hazardous or prejudicial to the insurance buying public. Do you believe that requirement is satisfied here, sir?

A. Yes, I do.

Q. Can you explain why?

A. As a result of this transaction, it will

really be a benefit to the general public. We've talked about how it would be benefitting the policyholders. It will also be benefitting the general public because you will now have Aetna having a full array of product lines in the state of Missouri, being very active in the state of Missouri, not really changing the operations in the existing companies. And most importantly, really having added competition to the state. You'll now have another player, a larger player, in the state with additional resources available at its disposal to compete in the state and compete against some of the other lines of business. This will benefit the consumers by bringing more products to the state. Greater cost efficiency is being achieved through the combination of these companies and really bringing the benefits to the general public.

Q. Thank you, Mr. Martino.

MR. WHITMER: At this time, Miss Erickson, we would move for the admission of Mr. Martino's affidavit, which is Exhibit 7, into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 7 is admitted.

(Exhibit No. 7, Affidavit on Behalf of

Aetna, was then admitted into evidence.)

Q. Sir, do you have any additional comments that you would like to provide to Ms. Erickson before we conclude your testimony here today?

A. Only to indicate that as I've mentioned in my affidavit and in my testimony, I really do see this transaction as a win for the current policyholders in Nebraska (sic), for the general public in Nebraska (sic), by bringing additional competition to the state. And for Aetna because they will now have an opportunity to have grass root efforts and grass root companies and business already up and running in the state of Missouri. We see that as a win for everyone. Other than that, I would just simply thank you for your time and we would appreciate a favorable ruling on this.

MR. WHITMER: Mr. Martino, I have no further questions for you at this time, but I understand that counsel may have some, so I turn the witness over to counsel.

CROSS-EXAMINATION

QUESTIONS BY MR. STAHLHUTH:

Q. Mr. Martino, I'm handing you what's been marked as Exhibit A. Could you identify that, please.

A. Yes, I can. It's a letter dated September

26 from the Division of Insurance Company Regulations to Keith Wenzel representing Aetna regarding proposed acquisition of Coventry Health Care of Missouri.

MR. STAHLHUTH: I would like to have Exhibit A admitted.

MR. WHITMER: No objection.

HEARING OFFICER ERICKSON: Exhibit A is admitted.

(Exhibit No. A, October 1 Letter Regarding Proposed Acquisition, was then admitted into evidence.)

Q. I'm handing you what's been marked as Exhibit B. Could you identify that, please.

A. Yes. This is a letter from Keith Wenzel dated October 1, 2012, responding to -- addressed to the Department -- the Missouri Department of Insurance responding to the letter dated September 26, 2012.

Q. Are you familiar with the responses given in Exhibit B?

A. Yes, I am.

MR. STAHLHUTH: I would like to have Exhibit B admitted into evidence.

MR. WHITMER: No objection.

HEARING OFFICER ERICKSON: Exhibit B is admitted.

(Exhibit No. B, Letter from Keith Wenzel, was then marked for identification by the reporter.)

Q. I'm handing you what's been marked as Exhibit C. Could you identify that, please?

A. Yes. This is an additional letter dated October 10, 2012, from Keith Wenzel representing Aetna supplementing the letter of October 1 to the Department of Insurance with additional response regarding Question No. 1.

Q. Are you familiar with that response?

A. Yes, I am.

MR. STAHLHUTH: I would like to have Exhibit C admitted into evident.

MR. WHITMER: No objection.

HEARING OFFICER ERICKSON: Exhibit C is admitted.

(Exhibit No. C, October 10 Letter from Keith Wenzel, was then admitted into evidence.)

Q. With respect to Exhibit C and the supplemental response to Paragraph 1 of Exhibit A, have you given consideration to how Aetna and Coventry intend to implement a tax sharing agreement effective the date of the acquisition or merger?

A. We recognize under the IRS code there will be changes as far as the agreements go, and we will be

prepared to make those changes. We also recognize that it will be necessary to file a Form D with the Missouri Department of Insurance 30 days -- at least 30 days prior to the closing of the transaction.

Q. With respect to Paragraph 61 of your affidavit, you indicate that no replacement of the current director and executive officers of the domestic insurers is currently planned as part of the transaction or immediately after the transaction other than replacing any of whom resign following the consummation of the transaction. Do you remember that statement?

A. Yes.

Q. Are you aware of any plans of any of the current directors and executive officers of the domestic insurers to resign following the consummation of the transaction?

A. I am not aware of any plans.

MR. STAHLHUTH: Can I have just a second? I have no further questions.

HEARING OFFICER ERICKSON: Mr. Whitmer, do you have any redirect of your witness?

MR. WHITMER: No redirect. Thank you.

HEARING OFFICER ERICKSON: I do have a couple of questions for you, though, Mr. Martino. I'm

going to be looking now at Requirement No. 4, which is on -- begins on page 11. But the section I'm most concerned about is on page 13, Paragraph 49. I'm going to read part of this statute, Mr. Martino, and then I'm going to break it down into some sections.

Pursuant to Section 382.060.1, sub paren 4, it states, "The plans or proposals which the acquiring party has to liquidate the insurer to sell its assets or to consolidate or merge it with any person or to make any other material change in the business or corporate structure or in management are unfair and unreasonable to policyholders of the insurer and contrary to public interest." You are familiar with that provision of the statute? As you indicated before, you've read the statute.

MR. MARTINO: Yes.

HEARING OFFICER ERICKSON: I'm going to break that down now and ask you specifically. Does the acquiring party Aetna have any plans to liquidate the three domestic insurers?

MR. MARTINO: No.

HEARING OFFICER ERICKSON: Are there any discussions to liquidate the three domestic insurers?

MR. MARTINO: I am not aware of any discussions. We have no plans for the liquidation.

HEARING OFFICER ERICKSON: With regards to the next phrase. Are there any plans to sell the assets of the three domestic insurers?

MR. MARTINO: As stated in the Form A, at this time there is -- there are no plans to sell any of the assets.

HEARING OFFICER ERICKSON: Have there been any discussions to that effect?

MR. MARTINO: Not to the best of my knowledge.

HEARING OFFICER ERICKSON: Are there any plans to consolidate or merge the three domestic insurers with any other person or entity?

MR. MARTINO: As stated in the Form A, there's no plans at this time to merge any of the entities together.

HEARING OFFICER ERICKSON: And have there been any discussions as to such?

MR. MARTINO: Not to the best of my knowledge.

HEARING OFFICER ERICKSON: And then the remainder of the statute, you have fully answered in your other testimony. With regards to the statute I read and your testimony, is there anything that at this time Aetna needs to describe or discuss that will

give the hearing officer and therefore the director a full picture of its intent with regards to the three domestic insurers?

MR. MARTINO: As set forth in the Form A filing, we have no plans at this time for any changes to the operation of the three domestic insurers in Missouri.

HEARING OFFICER ERICKSON: Thank you, Mr. Martino. Mr. Whitmer and Mr. Stahlhuth, since I inquired, you do have a right to re-inquire.

MR. WHITMER: I have no further questions. Thank you.

MR. STAHLHUTH: I do have one -- one question.

RECROSS-EXAMINATION

QUESTIONS BY MR. STAHLHUTH:

Q. Your affidavit was signed on October 18; is that correct? Mr. Martino? That would be Exhibit 7.

A. Oh, yes. I'm sorry. Yes.

Q. Since that time to date, have any of the answers you gave in your affidavit or any of the statements you made in your affidavit changed in any material way?

A. No.

MR. STAHLHUTH: No further questions.

HEARING OFFICER ERICKSON: Thank you, Mr. Martino. Mr. Whitmer, you may call your next witness.

MR. WHITMER: Aetna would like to call Mr. Drew Asher as its second witness today.

DREW ASHER, being sworn, testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. WHITMER:

Q. Mr. Asher, could you please introduce yourself to the hearing officer.

A. My name is Drew Asher. I'm a senior vice president for Coventry Health Care, Inc., which is the parent company of the three domestic insurers.

Q. Could you describe for us what is your role and what are your responsibilities with respect to Coventry Health Care, Inc.?

A. My roles and responsibilities span much of corporate finance, which includes investor relations, treasury, capital markets, and most relevant to this hearing, mergers and acquisitions.

MR. WHITMER: I'm going to ask that this be marked as Exhibit A -- 8.

(Exhibit No. 8, Drew Asher Affidavit, was then marked for identification by the reporter.)

Q. Sir, I'm showing you what has been marked as Exhibit 8. Do you recognize this document?

A. Yes, I do.

Q. What is it?

A. It is my affidavit with respect to this hearing.

Q. If you turn to the very last page in the bottom right-hand corner, can you verify for us that this is indeed your signature?

A. Yes, it is.

Q. And that it was notarized just to the left of that at the time of your signature?

A. That is correct.

Q. Sir, just briefly. You are an officer of Coventry Health Care, Inc.; is that right?

A. That is correct.

Q. Sir, you provide in Exhibit 8 your testimony for this matter; is that right?

A. That's correct.

Q. Okay.

MR. WHITMER: And we would move at this time for Exhibit No. 8 to be admitted into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 8 is admitted.

(Exhibit No. 8, Drew Asher Affidavit, was then admitted into evidence.)

Q. Sir, you've already provided your testimony. It's right there. Is there anything that you would like to -- first of all, can you verify that the accuracy with what you've put in your affidavit and particularly with respect to whether it's changed in any way, shape, or form since the time you signed it approximately a week ago?

A. Yeah. I can attest to the accuracy as well as the fact that nothing has changed since I signed that that would change any of my assertions.

Q. And with respect to the Exhibit 8, I have no further questions for you. It's all laid out in there, but I certainly would like to make you available for questions if counsel or the hearing officer would like to ask them at this time.

MR. STAHLHUTH: I have no questions of the witness.

HEARING OFFICER ERICKSON: Mr. Asher, thanks for coming in today. I have no questions.

MR. ASHER: Thank you.

MR. WHITMER: Thank you, Mr. Asher. Next we would like -- Aetna would like to call Roman Kulich as its third witness.

ROMAN KULICH, being sworn, testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. WHITMER:

Q. Mr. Kulich, could you please introduce yourself to Ms. Erickson.

A. Yes. My name is Roman Kulich. I'm the president of Coventry Health Care of Missouri.

Q. And, sir, are you also an officer of Coventry Health Care of Missouri?

A. I am.

Q. Okay. And just to be clear. The entity that you are the officer of is Coventry Health Care of Missouri, Inc.; right?

A. That is correct.

Q. Could you describe for us what is your role and what are your responsibilities in your capacity as chief executive officer of this entity?

A. In that capacity I am responsible for all the activities and operations of Coventry Health Care of Missouri, ensuring that we fulfill our duties to our customers, our policyholders, and abide by the laws and regulations of the State of Missouri that we are bound by.

Q. And, sir, how long have you worked for the Coventry affiliation of companies?

A. Over five years.

Q. Okay.

(Exhibit No. 9, Roman Kulich Affidavit, was then marked for identification by the reporter.)

Q. Sir, I'm showing you what has been marked as Exhibit 9 for identification. Can you -- do you recognize this document, sir?

A. I do.

Q. Can you explain to us what it is?

A. It is my affidavit on behalf of Coventry Health Care of Missouri, Inc. in this matter.

Q. And if you could go ahead and turn to page 6, which is the last page in the bottom right-hand corner. Could you confirm for us that that is indeed your signature?

A. That is my signature.

Q. And at the time you signed it, it was notarized as set forth on page 6?

A. Yes.

Q. I'm going to ask you the same questions I asked Mr. Asher. Can you confirm the accuracy and completeness of your affidavit that's been submitted in this matter?

A. Yes.

Q. And, sir, since the time you signed it approximately a week ago, can you explain to us

whether anything has changed which would cause you to modify in any way any of the answers in this affidavit?

A. There have been no changes.

Q. Okay. Thank you. I have no additional questions for you, sir, but counsel may and Ms. Erickson may.

MR. STAHLHUTH: I have no questions of the witness.

HEARING OFFICER ERICKSON: Mr. Kulich, thank you for coming. I have no questions.

MR. KULICH: Thank you.

HEARING OFFICER ERICKSON: Mr. Whitmer, did we admit Exhibit 9?

MR. WHITMER: I was going to say I would like to formally move for admission of Mr. Kulich's affidavit, which is marked as Exhibit 9, into the record.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: It will be admitted.

(Exhibit No. 9, Roman Kulich Affidavit, was then admitted into evidence.)

MR. WHITMER: I would like to call our next witness, Ms. Kimberly Covert.

KIMBERLY COVERT, being sworn, testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. WHITMER:

Q. Ms. Covert, could you please introduce yourself for the record?

A. Sure. My name is Kimberly Covert. I'm the chief executive officer for HealthCare USA.

Q. And, Ms. Covert, just to be complete about the name. The name of the entity that you are the chief executive officer for is HealthCare USA of Missouri, L.L.C.; is that right?

A. That is correct.

Q. And could you describe for us what is your role and what are your responsibilities in that capacity?

A. Sure. As CEO of the company, I'm responsible for the day-to-day operations, the financial performance, member services, really all aspects of the business of HealthCare USA.

Q. Okay.

(Exhibit No. 10, Kimberly Covert Affidavit, was then marked for identification by the reporter.)

Q. Ms. Covert, I'm showing you what has been marked as hearing Exhibit No. 10 for identification. Do you recognize that document?

A. I do.

Q. Could you explain to us what it is?

A. Yes. It's the affidavit that I prepared and submitted related to the acquisition of Aetna -- or of HealthCare USA by Aetna.

Q. Could you go ahead and turn to the last page, which is page 6 in the bottom right-hand corner. Can you verify that that is indeed your signature?

A. It is.

Q. And right to the left of it is the notarization confirming that it was notarized at the time you signed it?

A. That's correct.

Q. Can you confirm for us here today the accuracy and completeness of the affidavit you submitted?

A. It is accurate and complete.

Q. And also can you confirm that in the last week or so since you signed this affidavit, has there been anything that's changed that would require you to revise anything in your affidavit?

A. There have been no changes.

Q. Okay. Ms. Covert, I have no additional questions for you.

MR. STAHLHUTH: I have no questions.

HEARING OFFICER ERICKSON: Thank you for coming.

MR. WHITMER: And before the witness steps down, we would formally move that Exhibit No. 10 be admitted into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 10 is admitted.

(Exhibit No. 10, Kimberly Covert Affidavit, was then admitted into evidence.)

MR. WHITMER: At this time I would like to call Mr. Jonathan Weinberg to the stand.

JONATHAN WEINBERG, being sworn, testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. WHITMER:

Q. Mr. Weinberg, can you please introduce yourself to Ms. Erickson and explain your current title.

A. Good morning. I'm Jonathan Weinberg. I'm senior vice president and deputy general counsel for Coventry Health Care, Inc., and I'm also an officer of Cambridge Life Insurance Company.

Q. Could you describe for us generally what your role is and what your responsibilities are with respect to the Coventry family of companies?

A. I'm in charge of day-to-day legal operations, involved in regulatory affairs, and other operational matters.

Q. How long have you been employed by Coventry and its affiliates?

A. A little over ten years.

(Exhibit No. 11, Jonathan Weinberg Affidavit, was then marked for identification by the reporter.)

Q. Sir, I'm providing to you what's been marked as Hearing Exhibit No. 11 for identification. Do you recognize this document?

A. I do.

Q. What is it?

A. This is the affidavit that I prepared and executed in connection with this hearing.

Q. If you can go ahead and turn to the last page, the bottom-right hand corner. Can you verify for us that that is indeed your signature?

A. It is.

Q. And this document was notarized at the time you signed it?

A. Yes, it has.

Q. Sir, can you verify for us today the accuracy and completeness of the statements made in

your affidavit?

A. Yes, I can. It's accurate.

Q. And in the last week since the time you executed your affidavit, have there been any revisions or changes that would cause you to need to modify anything set forth in your affidavit?

A. No changes or revisions.

Q. Okay.

MR. WHITMER: At this time we'd request that Exhibit No. 11 be admitted into evidence.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Exhibit 11 is admitted.

(Exhibit No. 11, Jonathan Weinberg Affidavit, was then admitted into evidence.)

MR. WHITMER: And thank you, Mr. Weinberg. I have no further questions for you at this time.

MR. STAHLHUTH: No questions.

HEARING OFFICER ERICKSON: Thank you, Mr. Weinberg, for coming.

MR. WEINBERG: Thank you.

MR. WHITMER: Ms. Erickson, that concludes our -- our witnesses for today. And I know counsel has -- I'll let you speak to whether you have any additional questions you'd like to ask, but we have

nothing else.

HEARING OFFICER ERICKSON: Thank you, Mr. Whitmer. Mr. Stahlhuth?

MR. STAHLHUTH: Could I have a second, please?

HEARING OFFICER ERICKSON: Could we go off the record.

(An off-the-record discussion was held.)

HEARING OFFICER ERICKSON: We are back on the record. Mr. Whitmer, Mr. Stahlhuth, do either of the parties have any further evidence to present?

MR. WHITMER: Aetna has no further evidence to present.

MR. STAHLHUTH: The Division of Insurance Company Regulation has no further evidence.

MR. WHITMER: And the only caveat being that Phase B or Phase 2 of the hearing dealing with Requirement No. 2, certainly we have evidence to present there, but that's not for today.

HEARING OFFICER ERICKSON: Thank you. And we will address that shortly. For the parties, I wanted to confirm that the exhibits of Aetna numbered 1 through 11 have been admitted. The exhibits of the Division, A, B, and C have been admitted. Does that sound correct, Counsel?

MR. WHITMER: That's correct.

MR. STAHLHUTH: Yes.

HEARING OFFICER ERICKSON: Okay. At this time I am asking the parties, and I'll start with you, Mr. Whitmer, are there any exhibits that Aetna is requesting be held as closed records because they are confidential or some other basis? Please identify the exhibit and explain the reason for closing the record.

MR. WHITMER: Thank you, Ms. Erickson. There are four exhibits. I'll break them up into two different segments. The first is Exhibit 2 and then Exhibit 3. Exhibit 2 are the biographical information. Exhibit 3 represents the updated biographical affidavits and information, and we discussed those at the outset. All of those contain confidential personal information, and we request, therefore, that Exhibits 2 and 3 remain confidential and that the hearing officer issue an order on that point.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Aetna Exhibits No. 2 and 3 are declared confidential and closed records and not subject to disclosures for the reasons stated by the parties.

MR. WHITMER: And, Ms. Erickson, there are

two additional exhibits. First, Exhibit 4, which was attached as Exhibit 10 to the Form A. This is a document that provides financial projections for the Coventry business. It's proprietary information that should receive confidential treatment. And counsel and I have discussed, I believe, that there's no objection to Exhibit 4 also being maintained as confidential.

MR. STAHLHUTH: No objection.

HEARING OFFICER ERICKSON: Mr. Whitmer, if I could confirm with you. Exhibit 1 is the Form A. Within the Form A is Exhibit 10; correct?

MR. WHITMER: That's correct.

HEARING OFFICER ERICKSON: And so you are asking Exhibit 10 that is within Exhibit 1 as well as Aetna's Exhibit 4 offered today be held as closed records; is that correct?

MR. STAHLHUTH: That's correct, Ms. Erickson. Although to clarify, we actually took Exhibit 10 out of Exhibit 1, which is the Form A, because we were going to be asking for the confidential treatment, but I think we're on the same page.

HEARING OFFICER ERICKSON: Thank you. I was not sure if it remained in your binder or not. So

Exhibit 4 you are asserting is proprietary trade secret and therefore confidential. Exhibit 4 will be declared confidential. It is a closed record and not subject to disclosure for the reasons stated.

MR. WHITMER: And finally, Ms. Erickson, is Exhibit B, which was presented by counsel for the Department today. Exhibit B represents a two-page letter from Mr. Wenzel to the Department, and then the third page provides additional financial projection information which updates the Exhibit 4 we were speaking about just a minute ago. So what we are requesting is with respect to Exhibit B, that only the third page which are the updated financial projections, that the updated Exhibit B -- the updated financial projections, which is the third page of Exhibit B, be maintained as confidential for the same reasons as the information contained in Exhibit 4. But our request does not extend, by discussion and agreement of counsel, to pages 1 and 2 of Exhibit B.

HEARING OFFICER ERICKSON: Mr. Stahlhuth?

MR. STAHLHUTH: On the basis that the letter itself, which is the first two pages of Exhibit B, is public and the attachment to that letter, which is the third page of Exhibit 3, is confidential, I have no objection.

HEARING OFFICER ERICKSON: Thank you. Exhibit B page 3, Aetna is asserting that it is -- contains proprietary information, trade secrets, and has asked for page 3 to be held as confidential and closed record. And I so order that page 3 of Exhibit B is declared confidential and a closed record, not subject to disclosure for the reasons stated. Further, I order that pages 1 and 2 of Exhibit B remain an open record.

MR. WHITMER: Thank you, Ms. Erickson.

HEARING OFFICER ERICKSON: Any further orders regarding closure of records?

MR. WHITMER: Nothing further from Aetna.

MR. STAHLHUTH: Nothing further from the Division of Insurance Company Regulation.

HEARING OFFICER ERICKSON: Thank you. Because this is a public hearing pursuant to Section 382.060, is there anyone present besides the parties and their witnesses whose interests may be effected and who wishes to offer at this time an oral or written argument regarding this proposed acquisition? Hearing none, we move on.

I'd like to make a few final remarks for the record. First, pursuant to Section 382.060.4, a court reporter has been retained to record and

transcribe these proceedings. Pursuant to the statute, the applicant is responsible for the fees and costs of the court reporter.

Second, on October 3, 2012, the Division of Market Regulation of the Department of Insurance, Financial Institutions and Professional Registration through counsel filed a motion for continuance and to hold open record requesting that the hearing set in this matter be continued and the record remain open to allow the Division to receive information from Aetna pursuant to Section 382.095.3 or until the Division director is prepared to present evidence and analysis as required by Section 382.095.4. Aetna consented to the Division's motion.

In my October 10, 2012, order, I granted the motion for continuance and to hold open the record. The record in this proceeding shall remain open, and this hearing shall be continued until further adjournment. We are off the record.

(Proceedings concluded at 10:11 a.m.)

CERTIFICATE OF REPORTER

I, Melissa Bennett, CCR for the State of Missouri, do hereby certify that the hearing aforementioned was held on the time and in the place previously described.

Melissa Bennett

CCR #1307(T)