

**BEFORE THE STATE AUDITOR AND COMMISSIONER OF INSURANCE
FOR THE STATE OF MONTANA**

IN RE THE ACQUISITION OF

ALLEGIANCE LIFE & HEALTH
INSURANCE COMPANY INC.,
a domestic life and disability insurance company,
by

CONNECTICUT GENERAL LIFE INSURANCE CO.,
CONNECTICUT GENERAL CORPORATION,
CIGNA HOLDINGS INC., and CIGNA
CORPORATION, a life insurance company and
its holding companies.

Case No. INS-2008-1

FINDINGS OF FACT,
CONCLUSIONS OF LAW,
AND FINAL DECISION
AND ORDER

Final Order

MAR 06 2008

PROCEDURAL HISTORY

1. On December 19, 2007, Connecticut General Life Insurance Co. Inc., which is a direct wholly-owned subsidiary of Connecticut General Corp. Inc., which, in turn, is a direct wholly-owned subsidiary of CIGNA Holdings Inc., which, in turn, is a direct wholly-owned subsidiary of CIGNA Corp. (collectively referred to as the Applicants) filed with the Commissioner of Insurance of the state of Montana (Commissioner) a Form A application for the acquisition of Allegiance Life & Health Company, Inc. (AL&H), a Montana domestic stock insurer and affiliate of Great-West Life & Annuity Ins. Co. Inc. (Great-West), in accordance with Mont. Code Ann. § 33-2-1104.

2. As a result of that filing, a public hearing was scheduled on February 11, 2008, at 10:00 a.m. in the conference room of the Department of Labor and Industry at

840 Helena Avenue, Helena, Montana, to determine whether the Commissioner should approve the acquisition of control of AL&H by the Applicants. A hearings examiner was appointed to issue the final agency decision on behalf of the Commissioner.

3. Pursuant to Mont. Code Ann. § 33-2-1105, notice of the hearing was served upon the Applicants by the Commissioner. Pursuant to Mont. Code Ann. § 33-22-1105(2), notice of the hearing subsequently was given by the Applicants to Blue Cross Blue Shield of Montana, New West Services, Humana Health Services, United Healthcare Insurance Company and Time Insurance Company. Notice of the hearing also was given by the Applicants to the public by publication in the Sunday editions of the Great Falls Tribune, Missoulian, Billings Gazette, Montana Standard, Helena Independent Record, Bozeman Chronicle, and the Daily Interlake on February 3, 2008.

4. Request for Confidentiality of Information and an Affidavit were filed by the Applicants prior to the hearing requesting that the Plan of Operation and certain pages of the biographical affidavits filed as part of the Form A filing be kept confidential.

5. A Motion for Admission Pro Hac Vice for Robert J. Sullivan was filed by Jock Anderson, local counsel for the Applicants, on February 8, 2008.

6. The hearing was duly held on February 11, 2008, at the place and time anticipated by the notice. It consisted of two parts: the first part was a contested case hearing in which the parties presented argument, evidence and witnesses in favor of the acquisition, and the second part of the public hearing was open for public comment. The Applicants, AL&H, and the Department presented argument, evidence and testimony in favor of the acquisition.

7. The Applicants were represented by Jock Anderson, Esq., of Gough, Shanahan, Johnson & Waterman, Helena, Montana, as local counsel, and Robert Sullivan, Esq., of Skadden, Arps, Slate, Meagher & Flom, New York City, New York., upon unopposed *pro hac vice* admission.

8. The Department was represented by Helge Naber, Esq., and Christina L. Goe, Esq.

9. Also present were Joseph D. Hoffman, Vice President, Great-West Life & Annuity Ins. Co. and Clifford G. Larsen, Assistant Secretary, Allegiance Life & Health Ins. Co. representing the domestic insurer. Several members of the public were also present.

10. The following exhibits were introduced during the course of the hearing, and admitted into the record without opposition:

Exhibit 1 Applicants' Application for Permission of Acquisition and exhibits, attachments, supplements and amendments as of February 11, 2008, known as the Form A-filing which included

- Purchase Agreement (attached thereto as Exhibit A);
- Organizational Charts (attached thereto as Exhibits B-1 and B-2)
- Compilation Concerning Identity and Background of Individuals Associated with Applicants (attached thereto as Exhibits C-1 through C-6)
- Biographical Affidavits (attached thereto as Exhibits D-1 through D-5)
- Annual Reports CIGNA Corp. 2002-2006 (attached thereto Exhibits E-1 through E-6)
- Unaudited Consolidated Financial Statements CIGNA Holdings Corp. 2002-through III/2007 (attached thereto as Exhibits F-1 through F-5)
- Unaudited Consolidated Financial Statements Connecticut General Life Ins. Co. 2002 through 2006 (attached thereto as Exhibits G-1 through G-3)
- Unaudited Quarterly Statements of Connecticut General Corp. 2007 (attached thereto as Exhibit H-1 through H-3)
- Unaudited Annual Statements of Connecticut General Corp. 2002 through 2006 (attached thereto as Exhibits H-4 through H-8)
- Amended Plan of Operation of the Domestic Insurer (attached thereto as Exhibit I)

Exhibit 2 Department's Notice of Hearing dated January 16, 2008

- Exhibit 3* AL&H's Statement Regarding Prior Notice of Proposed Amended and Restated Consolidated Federal Income Tax Agreement dated January 16, 2008 (including Exhibits A through C)
- Exhibit 4* Applicants' Affidavits of Service/Publication (including Exhibits A through D)
- Exhibit 5* Corporate Chart for CIGNA Corp.
- Exhibit 6* Letter from Dirk Visser dated February 11, 2008
- Exhibit 7* Letter from Richard Schultz, Chief Legal Officer, Great-West Life & Annuity Ins. Co. dated February 8, 2008

11. The documents of the Form A filing, including all of the supplemental filings, excepting those deemed confidential, were made available for public inspection at the office of the Department of Insurance since each was filed by the Applicants.

From the documentary evidence submitted and the testimony at the hearing, the hearing examiner makes the following:

FINDINGS OF FACT

FINDING OF FACT NO. 1: Applicant Connecticut General Life Ins. Co. is authorized to engage in the sale of life and disability insurance in all states of the United States and in the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands, and is domiciled in the state of Connecticut. (Tr. at 19:25-20:8.) CIGNA Corp. is a publicly traded Delaware corporation and is the ultimate parent of all the CIGNA entities. (Ex. 1 at 8.) CIGNA Holdings is a directly owned subsidiary of CIGNA Corp. (Tr. at 19:7-8.) Connecticut General Corporation owns all of the U.S. insurance operating companies of CIGNA as well as the life and health segment. (Tr. at 19:20-22.)

FINDING OF FACT NO. 2: AL&H is a Montana domestic stock insurer, incorporated according to the laws of the state of Montana and authorized to transact life and disability insurance in Montana. (Tr. at 31:4-5.)

FINDING OF FACT NO. 3: Pursuant to Mont. Code Ann. § 33-2-1104, Applicants filed with the Commissioner on December 19, 2007, an application to acquire control of 80% of the issued and outstanding securities (shares) of Benefit Management Corporation (BMC), a Montana corporation, which is a holding company and the parent company of AL&H. (Tr. at 25:18-22.)

FINDING OF FACT NO. 4: Pursuant to the provisions of Mont. Code Ann. § 33-2-1105(2), a hearing was held at 10 a.m. on February 11, 2008, in the conference room of the Department of Labor and Industry, 840 Helena Avenue, Helena, Montana, to determine whether the acquisition of control of AL&H by Applicants should be approved. (Tr. at 4:10-19.)

FINDING OF FACT NO. 5: Upon consideration of the Motion for Admission Pro Hac Vice for Robert J. Sullivan, there being no objection from the Department and good cause appearing, said Motion was granted. (Tr. at 6:21-22.)

FINDING OF FACT NO. 6: Upon consideration of the Requests for Confidentiality of Information, and there appearing to be good cause, the Hearing Examiner granted the Applicant's Requests to keep the biographical affidavits of the officers or directors of any of the Applicants confidential as well as the Plan of Operation. (Tr. at 10-12.)

FINDING OF FACT NO. 7: William H. Roth, Senior Vice President of Operations, Connecticut General Life Ins. Co., stated that the Applicants are competent

and financially able to operate AL&H and plan to continue to operate AL&H as a stand-alone company without any material changes to its current business operations. (Tr. at 27:10-27:23.) He testified that the proposed transaction will in no way jeopardize AL&H's ability to continue to write the lines of insurance in Montana for which it is presently licensed. He further stated that AL&H's continued operations under the new ownership will provide a significant opportunity to improve access of affordable health care to Montana consumers. (Tr. at 35:25-36:8.)

He further stated that CIGNA Corp., as the ultimate parent of AL&H and Connecticut General Life Ins. Co., is credit-rated BBB with A.M. Best, BBB+ with Standard & Poor, and BAA2 with Moody's Investors Service; and that Connecticut General Life Ins. Co. is credit-rated A with A.M. Best, A with Standard & Poor, and A2 with Moody's Investors Service. (Tr. at 32:1-32:21.)

Roth said that neither Connecticut General Life Ins. Co. nor any other of the Applicants currently have plans to declare extraordinary dividends, liquidate or sell assets, merge or make other material changes to the current business operations of AL&H. (Tr. at 27:18-27:23.) He further testified that the terms of the agreement are fair and reasonable to the security holders of AL&H. (Tr. at 33:7-33:25.)

He stated that Connecticut General Life Ins. Co.'s ownership interest will not prejudice the interests of the policyholders because policyholders will benefit from an enhanced provider network and increased health advocacy as well as increased consumer engagement capabilities. (Tr. at 34:8-34:22.) Roth testified that the Applicants have no current plans to terminate employees of the Domestic Insurer or BMC as a result of the proposed transaction. (Tr. at 35, 16-20.)

FINDING OF FACT NO. 8: Roth testified that Great-West currently provides loss reinsurance to the domestic insurer for claim payments made pursuant to employer group health insurance policies by the domestic insurer. Connecticut General intends to enter into a similar arrangement with the domestic insurer and will enter into an Amended and Restated Consolidated Federal Income Tax Agreement with CIGNA to facilitate the filing of a consolidated tax return. (Tr. at 29:2-19.)

FINDING OF FACT NO. 9: Thomas A. McCarthy, Vice President of Finance, CIGNA Corp., stated that Connecticut General Life Ins. Co.'s and AH&L's combined market share in Montana 2006 was six-tenths of one percent of the overall amount of premiums written in Montana that year, and that the overall impact of the proposed transaction will not limit, hinder, or disturb competition among insurers in Montana. (Tr. at 52:11-53:21.)

FINDING OF FACT NO. 10: McCarthy explained that the domestic insurer and the Applicants are focused on different customer segments in Montana and will not compete against each other for customers. (Tr. at 51:20-52:1.)

FINDING OF FACT NO. 11: Donald T. Tammany, Assistant Chief Legal Counsel, CIGNA Corp., stated with respect to AL&H's board of directors and officers that all directors and officers previously appointed by the seller of AL&H will be released and replaced by Applicants' designated directors and officers upon consummation of the transaction. (Tr. at 70:20-71:12.)

FINDING OF FACT NO. 12: Clifford G. Larsen, Assistant Secretary, Allegiance Life & Health Ins. Co., introduced a letter by Mr. Dirk Visser, minority shareholder of Beneficial Management Company Inc., parent company and seller of

AL&H, indicating that the remaining interest holder in A&L&H and Beneficial Management Company Inc. does not have any objections to the proposed acquisition of AL&H. (Tr. at 62:16-63:9.)

FINDING OF FACT NO. 13: Steven W. Matthews, Chief Financial Examiner, Department of Insurance, stated that the statements and filings submitted by the Applicants prior to the hearing appear to meet the substantive requirements for approval of the acquisition, and that the testimony presented by the Applicants at the hearing had not changed his impression. (Tr. at 90:24-91:5.)

FINDING OF FACT NO. 14: Although there were several members of the public and the insurance industry present at the hearing, none of them asked questions of the witnesses, offered evidence, made comments or raised objections to the acquisition of AH&L by the Applicants when the opportunity was given to do so.

CONCLUSIONS OF LAW

CONCLUSION OF LAW NO. 1: Pursuant to Mont. Code Ann. § 33-2-1105(1), the Commissioner must approve any acquisition for control of a domestic insurer referred to in Mont. Code Ann. § 33-2-1105(1), unless, after a public hearing thereon, he finds that any of the conditions set forth in Mont. Code Ann. § 33-2-1105(1) exist. According to Mont. Code Ann. § 33-2-1105(1) to determine whether a condition listed in Mont. Code Ann. § 33-2-1105(1) exists, the Commissioner must review each statement filed by the acquiring party or parties. The statement must contain all of the information required by Mont. Code Ann. § 33-2-1104(2), and Administrative Rules of Montana Title 6, Chapter 6, Subchapter 37.

The statement filed with the Commissioner pursuant to Mont. Code Ann. § 33-2-1104(2) prior to the acquisition of a domestic insurer was properly and satisfactorily filed by the Applicants as set out below:

A. As required by Mont. Code Ann. § 33-2-1104(2), prior to the hearing on February 11, 2008, the Applicants filed an oath and affirmation with the Commissioner.

B. As required by Mont. Code Ann. § 33-2-1104(2)(a) prior to the hearing on February 11, 2008, the Applicants provided the name and address of each person on whose behalf the acquisition of AL&H is to be effected.

C. As required by Mont. Code Ann. § 33-2-1104(2)(a), the Applicants provided adequate information about the nature of their business during the past five years, including an informative description of the business which they intend to do; a list of all individuals who are or who have been selected to become directors or executive officers of the acquiring parties or who perform or will perform functions appropriate to such positions; and all offices and positions held during the past five years by such individuals and any convictions of crimes other than minor traffic violations during the past ten years by such individuals.

D. As required by Mont. Code Ann. § 33-2-1104(2)(b) the Applicants provided adequate information on the source, nature, and amount of the consideration to be used to acquired AL&H.

E. As required by Mont. Code Ann. § 33-2-1104(2)(c), the Applicants provided audited financial information as to their earnings and financial condition for the preceding five years and similar unaudited information as of a date not earlier than 90 days before filing the statements required by Mont. Code Ann. § 33-2-1104(2).

F. As required by Mont. Code Ann. § 33-2-1104(2)(d), the Applicants provided adequate information about any plans or proposals which they have to liquidate AL&H, to sell its assets or merge or consolidate with any person, or to make any other material change in its business or corporate structure or management.

G. As required by Mont. Code Ann. § 33-2-1104(2)(e), the Applicants provided adequate information about the number of shares of any security, which they proposed to directly or indirectly acquire, the terms of the acquisition, and the method by which the fairness of the proposal was arrived at.

H. As required by Mont. Code Ann. § 33-2-1104(2)(f), the Applicants provided adequate information about the amount of each class of securities of AL&H which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the Applicants.

I. As required by Mont. Code Ann. § 33-2-1104(2)(g), the Applicants provided an adequate description of the contracts, arrangements, or understandings regarding AL&H securities with which they are involved.

J. As required by Mont. Code Ann. § 33-2-1104(2)(h), the Applicants provided an adequate description of the purchase of AL&H securities during the 12 calendar months preceding their filing of the statement required by Mont. Code Ann. § 33-2-1104(2), including the dates of purchase, names of purchasers, and consideration paid or agreed to be paid for the securities.

K. As required by Mont. Code Ann. § 33-2-1104(2)(i), the Applicants provided an adequate description of their recommendations to purchase AL&H securities during the 12 calendar months preceding the filing of the statement required by Mont. Code Ann. § 33-2-1104(2).

L. As required by Mont. Code Ann. § 33-2-1104(2)(j), the Applicants provided adequate copies of all tender offers for, request or invitations for tenders of exchange offers for, and agreements to directly or indirectly acquire or exchange any AL&H securities and of additional soliciting material distributed in relation thereto.

M. As required by Mont. Code Ann. § 33-2-1104(2)(k), the Applicants provided adequate information about the terms of agreement, contracts or understandings made with any broker-dealer as to solicitation of AL&H securities for tender and the amount of any fees, commissions, or other compensation to be paid to broker-dealers with regard thereto.

CONCLUSION OF LAW NO. 2: After the change of control, AL&H will 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. (Mont. Code Ann. § 33-2-1105(1)(a))

CONCLUSION OF LAW NO. 3: The acquisition of AL&H by the Applicants will not lessen competition in insurance in Montana or tend to create a monopoly in Montana. (Mont. Code Ann. § 33-2-1105(1)(b))

CONCLUSION OF LAW NO. 4: The financial condition of the Applicants will not jeopardize the financial stability of AL&H or prejudice the interest of their policyholders or the interests of any remaining security holders of AL&H who are unaffiliated with Great-West. (Mont. Code Ann. § 33-2-1105(1)(c))

CONCLUSION OF LAW NO 5: The terms of the acquisition of AL&H by the Applicants are not unfair or unreasonable to AL&H's security holders. (Mont. Code Ann. § 33-2-1105(1)(d))

CONCLUSION OF LAW NO. 6: The Applicants have no plans or proposals to liquidate AL&H, to 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 that are unfair or unreasonable to AL&H policyholders and are not in the public interest. (Mont. Code Ann. § 33-2-1105(1)(e))

CONCLUSION OF LAW NO. 7: The competence, experience, and integrity of those persons who would control AL&H's operation after the acquisition are not such that it would not be in the interest of AL&H's policyholders and of the public to permit the acquisition. (Mont. Code Ann. § 33-2-1105(1)(f))

FINAL DECISION AND ORDER

Having fully considered the evidence presented at the hearing, all statements and submissions by the parties prior to and on occasion of the hearing conducted on February 11, 2008, and the lack of public comment on or objections to this acquisition,

IT IS HEREBY ORDERED that the application of Connecticut General Life Insurance Co. Inc., Connecticut General Corp. Inc., CIGNA Holdings Inc., and CIGNA

Corp., a life insurance company and its holding companies, to acquire control of AL&H, a Montana domestic insurer, is GRANTED, PROVIDED THAT

1. The Applicants undertake and agree to conduct the operations of AL&H in compliance with Montana law; and

2. The Applicants shall deliver copies of the Commissioner's Findings of Fact, Conclusions of Law and Order to all shareholders of record of AL&H.

DATED this 6th day of March, 2008.

John Morrison
State Auditor and Commissioner of Insurance
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By: Carol Roy
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Designee of the Commissioner

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