

BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA

In the matter of the application of)	
SUMITOMO LIFE INSURANCE)	FINDINGS OF FACT,
COMPANY for approval of a plan to)	CONCLUSIONS OF LAW,
acquire control of SYMETRA LIFE)	AND ORDER
INSURANCE COMPANY;)	(Iowa Code chapter 521A)
SYMETRA NATIONAL LIFE)	
INSURANCE COMPANY; and)	
SYMETRA REINSURANCE)	
CORPORATION)	

I. INTRODUCTION

Sumitomo Life Insurance Company, a mutual company (*sougo kaisha*) organized under the laws of Japan that is not controlled by any other person (“Sumitomo” or the “Applicant”), seeks permission to acquire control of Symetra Life Insurance Company, Symetra National Life Insurance Company, and Symetra Reinsurance Corporation, all of whom are Iowa domestic insurers (collectively, “Symetra” or the “Domestic Insurers”), and all of whom are direct or indirect wholly-owned subsidiaries of Symetra Financial Corporation, a Delaware corporation (“SFC”). The Agreement and Plan of Merger (the “Merger Agreement”), dated as of August 11, 2015, among Sumitomo, SLIC Financial Corporation, a Delaware corporation and wholly-owned subsidiary of Sumitomo (the “Merger Sub”), and SFC provides that, subject to the terms and conditions contained in the Merger Agreement, the Merger Sub will merge with and into SFC, with SFC surviving the merger as a wholly-owned subsidiary under the control of Sumitomo at the effective time of the merger.

In accordance with the provisions of *Iowa Code* section 521A.3 (2015), Applicant has filed an application for approval of its acquisition of control of Symetra with the Commissioner of Insurance of the State of Iowa (the “Commissioner”).

Pursuant to the provisions of *Iowa Code* section 521A.3(4)(b), and at the request of Applicant, a public hearing was held Tuesday, December 8, 2015, at the Iowa Insurance Division (“Division”) for the purpose of determining whether the proposed acquisition of control of Symetra by Applicant complies with the statutory requirements set forth in *Iowa Code* section 521A.3(4)(a) (2015).

II. JURISDICTION

Notice of the public hearing conducted on December 8, 2015, was provided to the parties in accordance with *Iowa Code* section 17A.12. (*Exhibit 3; Exhibit 4*) The Commissioner has jurisdiction over this matter under *Iowa Code* section 521A.3 and *Iowa Code* sections 17A.11 and 17A.12 (2015).

III. EVIDENCE PRESENTED

At the public hearing Applicant offered six exhibits as follows:

- Exhibit 1: Copy of Form A Statement regarding the acquisition of control of Symetra by the Applicant, dated October 5, 2015, certain portions of which held confidential pursuant to the provisions of Iowa Code § 22.7(3), as filed with the Iowa Division of Insurance (the "Form A Statement").
- Exhibit 2: Applicant's supplemental statement regarding Item 13 of the Form A Statement pertaining to providing Form F Enterprise Risk Report.
- Exhibit 3: Notice of Public Hearing on the Form A Statement issued by the Insurance Division of Iowa to the Applicant (the "Notice of Public Hearing"), dated November 9, 2015.
- Exhibit 4: Affidavit of Michaelanne Ehrenberg, Associate General Counsel of the Domestic Insurers regarding receipt of the Form A Statement and the Notice of Public Hearing, dated November 16, 2015.
- Exhibit 5: Affidavit of Hirofumi Miyahara regarding public hearing testimony in connection the Form A Statement, dated December 8, 2015.
- Exhibit 6: Affidavit of Masato Naitoh regarding public hearing testimony in connection the Form A Statement, dated December 8, 2015.

Exhibits 1 through 6 were received into the record. (*Trans. at 11*) In addition, Applicant called two witnesses, Mr. Hirofumi Miyahara and Mr. Masato Naitoh.

Mr. Miyahara, is the general manager in charge of international business in the International Business Department of Applicant. He is responsible for oversight of Sumitomo's acquisition of Symetra and expansion into the United States. He will also be responsible for the successful integration of Symetra with Sumitomo. (*Trans. At 13*) Mr. Naitoh is the deputy general manager of Applicant's International Business Division. Mr. Naitoh testified that he was involved with Mr. Miyahara in oversight of Sumitomo's acquisition of Symetra and that his ongoing duties and responsibilities are to work with Mr. Miyahara in overseeing the Applicant acquisition of Symetra and plans for expansion into the United States. (*Trans. at 20-21*)

Both Mr. Miyahara and Mr. Naitoh testified that Applicant's Form A Statement submitted in this matter is true, accurate, and complete to the best of their knowledge. (*Trans. at 14, 21-23*) In addition, Mr. Naitoh stated that he actively participated in the preparation and filing of the Applicant's Form A Statement, and that the Form A Statement was signed by Shinzo Kono, managing executive officer off Applicant, who was authorized to sign the Form A Statement on behalf of the Applicant. He affirmed that there have been no material changes with respect to the information provided or required in the Form A Statement since the Form A Statement was filed with the Division, and that there are no contracts or agreements that are part of this transaction of which the Division has not been made aware. (*Trans. at 21-23; 30*)

Mr. Miyahara testified about the business and organization of Applicant, stating that as of March 31, 2015, Applicant had approximately \$228 billion in assets, \$197 billion in policy reserves, approximately 6.8 million customers and approximately 42,000 employees. Mr. Naitoh testified that the financial condition of the Applicant will not jeopardize the financial stability of Symetra or prejudice the interests of its policyholders. (*Trans. at 25-26*)

Mr. Miyahara also testified that Applicant seeks permission to acquire control of Symetra through the merger of the Merger Sub, a wholly owned subsidiary of the Applicant, with and into SFC, with SFC surviving the merger as a wholly owned subsidiary of the Applicant. That merger will be accomplished pursuant to the terms of the Merger Agreement that was submitted as part of the Form A Statement filed by Applicant in this proceeding, *Exhibit 1*. Mr. Miyahara then testified that following the merger the Applicant will be the ultimate controlling person of Symetra. (*Trans. at 15*)

Mr. Miyahara further testified that the total consideration for the acquisition of Symetra will be approximately \$3.8 billion in the aggregate. He stated that the Applicant currently has cash on hand to satisfy the commitments under the Merger Agreement, that the Applicant intends to finance the transaction using internal resources, and that no part of the purchase price is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading securities. (*Trans. at 17*)

Both Mr. Miyahara and Mr. Naitoh testified about the plans that Applicant has regarding Symetra, and each stated that Applicant anticipates that the Domestic Insurers will continue conducting their business and operations in substantially the manner as they are presently conducted, and that the Applicant has no plans to make any material changes. (*Trans. at 18; 24*). Mr. Naitoh further testified that the Applicant has no present plans or proposals to liquidate Symetra, to sell any of Symetra's assets, or to consolidate or merge any of the Symetra companies with any person or persons or to make any other material change in any of Symetra's business, corporate structure, or management, other than that the Applicant intends that representatives of the Applicant will join the boards of directors, and various committees of the boards of directors, of SFC and Symetra in accordance with Iowa law. (*Trans. at 26-27*) Mr. Naitoh also testified that after the proposed acquisition of control Symetra will be able to satisfy the requirements for issuance of a license to write the line or lines of insurance for which it is presently licensed. (*Trans. at 24*)

Mr. Naitoh testified that the effect of the proposed acquisition of control will not substantially lessen competition or tend to create a monopoly in insurance in Iowa since neither the Applicant nor any of its subsidiaries currently engages in the insurance business in Iowa. Mr. Naitoh testified that, based on 2014 data, Symetra's share of the Iowa market for life insurance and annuities was 0.126 percent of life insurance premiums, 0.317 percent of annuity considerations, and 0.236 percent of accident and health insurance premiums. He stated that, accordingly, Symetra's Iowa market share, which will not be changed by the proposed Acquisition of control, does not have a material effect on competition in insurance or tend to create a monopoly in insurance in the State. (*Trans. at 24-25*)

Mr. Naitoh testified that the directors and executive officers of the Applicant who will have control of the operations of Symetra after the acquisition, are very experienced and competent based on their history with the companies they serve and prior work experience, and that the interests of the policyholders of Symetra and the public would not be jeopardized by the acquisition of control. (*Trans. at 27*)

Mr. Naitoh testified that given the financial strength of the Applicant as reflected in the financial statements included with the Form A Statement, as well as the experience and qualifications of the Applicant's directors and executive officers as indicated in their biographical affidavits, the proposed acquisition of control by the Applicant is not likely to be hazardous or prejudicial to the insurance-buying public. (*Trans. at 28*)

IV. FINDINGS OF FACT

The statutory requirements that the Applicant's acquisition plan must meet are relatively straightforward. Iowa Code Section 521A.3(4)(a) (2015) provides that the Commissioner is to approve an application for acquisition of control if, after a public hearing on such acquisition, the applicant has demonstrated to the Commissioner all of the following:

1. That after the change of control the domestic insurer 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;
2. That the effect of the acquisition of control will not substantially lessen competition in insurance in the State of Iowa;
3. That the financial condition of any acquiring party will not jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders;
4. That the plans or proposals which the acquiring party has to liquidate the insurer, 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 not unfair or unreasonable to policyholders of the insurer and are not contrary to the public interest;
5. That the competence, experience, and integrity of those persons who would control the operation of the insurer are sufficient to indicate that the interests of the policyholders of the insurer and of the public will not be jeopardized by the acquisition of control; and
6. That the acquisition of control is not likely to be hazardous or prejudicial to the insurance-buying public.

Based upon the evidence in the record viewed as a whole, the Commissioner finds as follows:

1. After the change of control, Symetra will be able to satisfy Iowa licensure requirements and continue writing the line or lines of insurance for which it is presently licensed.

Iowa Code Section 521A.3(4)(a)(1) (2015) requires an applicant to demonstrate to the Commissioner that, after the change of control, the acquired domestic insurer will be able to satisfy the requirements for issuing a license to write the line or lines of insurance for which it is presently licensed.

Mr. Naitoh testified that after the proposed acquisition of control, Symetra will be able to satisfy the requirements for issuance of a license to write the lines of insurance for which it is presently licensed. (*Trans. at 24*) This testimony is supported by the testimony of both Mr. Miyahara and Mr. Naitoh, that Applicant anticipates that Symetra will continue conducting the business and operations of the Domestic Insurers in substantially the same manner as it is presently conducted and that there will be no material change in Symetra's business or management. (*Trans. at 18, 24, 26*) It gains further support from the evidence regarding the financial strength and significant financial resources of the Applicant, (*Trans. at 15*) and the evidence that the proposed acquisition will not jeopardize the financial position of Symetra. (*Trans. at 25-26*)

The Commissioner finds that Symetra's ability to satisfy Iowa licensure requirements and its ability to continue writing existing lines of insurance for which it is licensed will be unimpaired after the change of control.

2. The Applicant's acquisition of control of Symetra will not substantially lessen competition in insurance in Iowa.

Iowa Code Section 521A.3(4)(a)(2) (2015) requires an applicant to demonstrate to the Commissioner that the effect of the acquisition of control will not substantially less competition in insurance in Iowa.

Mr. Miyahara and Mr. Naitoh testified that neither the Applicant nor any of its subsidiaries currently have a material operational presence in the insurance industry in Iowa or elsewhere in the United States, that Symetra will continue conducting their business and operations in substantially the manner as they are presently conducted, and that the Applicant has no plans to make any material changes. (*Trans. at 16, 18, 24, 25, 26, 29*)

Mr. Naitoh affirmed, as part of his testimony, that the proposed transaction will not substantially lessen competition in insurance in the State of Iowa. (*Trans. at 25*)

On the basis of the foregoing evidence, and the evidence that Symetra's Iowa market share in 2014 was 0.126 percent of life insurance premiums, 0.317 percent of annuity considerations, and 0.236

percent of accident and health insurance premiums (Trans. at 25), the Commissioner finds that the Applicant's acquisition of control of Symetra will not substantially lessen competition in insurance in Iowa.

3. The Applicant's financial condition will not jeopardize the financial stability of Symetra, or prejudice the interests of its policyholders.

Iowa Code Section 521A.3(4)(a)(3) (2015) requires an applicant to demonstrate to the Commissioner that the applicant's financial condition will not jeopardize the financial stability of the acquired domestic insurer, or prejudice the interest of its policyholders.

Evidence in the record indicates that the total consideration required to consummate the Applicant's acquisition of control of Symetra is approximately \$3.8 billion in the aggregate. Mr. Miyahara's testimony indicates that Applicant requires no specific financing in connection with the acquisition as the Applicant currently has cash on hand to satisfy the commitments under the Merger Agreement. The Applicant intends to finance the transaction using internal resources, and no part of the purchase price is represented or is to be represented by the funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding, or trading securities. (Trans. at 17) Mr. Naitoh also testified that the Applicant is financially strong and that the acquisition would in no way jeopardize the financial position of Symetra or prejudice the interests of their policyholders in any way. (Trans. at 25-26)

There being no evidence of adverse financial impact on Symetra, the Commissioner also finds that the interests of Symetra's policyholders will not be prejudiced by the Applicant's financial position.

4. The Applicant's proposed post-acquisition changes in Symetra's business or corporate structure or management are not unfair or unreasonable to Symetra's policyholders and are not contrary to the public interest.

Iowa Code Section 521A.3(4)(a)(4) (2015) requires an applicant to demonstrate to the Commissioner that the applicant's plans or proposals to liquidate the domestic insurer, sell its assets or consolidate or merge it with any person, or to make any other material change to the acquired domestic insurer's business or corporate structure or management, are not unfair or unreasonable to its policyholders and are not contrary to the public interest.

The facts in the record indicate that the Applicant has no present plans to liquidate, consolidate, or merge the Domestic Insurers or to sell their assets or make any material change to their business operations as presently conducted. (Trans. at 18, 24, 29) It does appear that the Applicant intends

to make certain management changes. While most, if not all, of the current executives and employees of Symetra will be retained and will remain in their positions (*Trans. at 31-32*), the Applicant intends for representatives of the Applicant to join the boards of directors, and various committees of the boards of directors, of Symetra. (*Trans. at 26-27*) Specifically, both Mr. Naitoh and Mr. Miyahara will be joining the board of directors of SFC and the Domestic Insurers and will also serve on various committees of the boards of directors. (*Trans. at 27*)

The Commissioner finds that the Applicant's proposed post-acquisition changes in Symetra's business, corporate structure and management are not unfair or unreasonable to its policyholders and are not contrary to the public interest.

5. The competence, experience and integrity of those persons who will control the operation of Symetra are sufficient to indicate that the interests of Symetra's policyholders and the public will not be jeopardized by the Applicant's acquisition of control of Symetra.

Iowa Code Section 521A.3(4)(a)(5) (2015) requires an applicant to demonstrate to the Commissioner that the competence, experience and integrity of those the applicant selects to control the operations of the acquired domestic insurer are sufficient to indicate that policyholders' interests and the public's interest will not be jeopardized by the acquisition.

To that end, the Commissioner must review detailed information of the person who would be in control of the insurer in the event the application is approved. This analysis focuses not on intermediate control but on ultimate control of the insurer. An "ultimate controlling person" is broadly defined in 191-45.2(3) as one who is not controlled by any other person. An ultimate controlling person may include, but is not limited to, an individual or business enterprise. A mutual insurer may be an "ultimate controlling person" within the meaning of Iowa Code Section 521A.3(4)(a)(5) (2015).

The acquiring party, Sumitomo, was established in Japan in 1907. Sumitomo's assets and liabilities were transferred from a joint-stock company to a mutual insurer in 1948 as conglomerates in Japan were forced to disband and Japanese life insurers were converted to mutual insurers. Incidentally, this occurred shortly after adoption of the modern Constitution of Japan in 1947, adopting rule of law, recognizing human rights, with sovereignty residing in the Japanese people. Moreover, like Iowa mutual insurers, ownership of Sumitomo resides exclusively with its policyholders. Based upon the evidence in the record, the Commissioner finds that neither Sumitomo's policyholders nor its directors and executive officers are controlled by any other person. Therefore, Sumitomo is correctly identified as the ultimate controlling person in this application.

Although Sumitomo is owned by its policyholders, the affairs of the insurer are controlled by its directors and executive officers. Hence, a review of the competence, experience and integrity of

the directors and executive officers in control of Sumitomo is appropriate. Facts in the record indicate that the directors and executive officers are experienced and competent based upon their experience in the insurance industry. Biographical affidavits for each of the directors and executive officers of the Applicant have been submitted to the Division along with background reports on the biographical affidavits prepared by an independent third-party. (*Trans. at 22*) In addition, during the course of the public hearing in this matter the Commissioner had an opportunity to observe and ask questions of both Mr. Miyahara and Mr. Naitoh. Finally, it is also noted that the integrity of the directors and its executive officers is revealed in the transparent nature of the corporate governance of Sumitomo as reflected in the record.

The Commissioner finds that the competence, experience and integrity of those individuals who would control the operation of Symetra after the acquisition are sufficient to indicate that the interests of Symetra's policyholders and of the public will not be jeopardized by the Applicant's proposed acquisition of control of Symetra.

6. The Applicant's acquisition of control of Symetra is not likely to be hazardous or prejudicial to the insurance-buying public.

Iowa Code Section 521A.3(4)(a)(6) (2015) requires an applicant to demonstrate to the Commissioner that the acquisition of control of the domestic insurer is not likely to be hazardous or prejudicial to the insurance-buying public.

Based upon a thorough review of the record in this proceeding, including Exhibits 1 through 6, the testimony of Mr. Miyahara and the Testimony of Mr. Naitoh, the Commissioner finds that the Applicant's acquisition of control of Symetra is not likely to be hazardous or prejudicial to the insurance-buying public of the State of Iowa. The Form A Statement submitted by Applicant and the exhibits thereto, together with the testimony of Mr. Miyahara and Mr. Naitoh, demonstrate that the criteria set forth in Iowa Code sections 521A.3(4)(a)(1)-(5) are established. When viewed as a whole, the record indicates that there are no other factors which might make the merger hazardous or prejudicial to the insurance-buying public. Accordingly, the requirements of Iowa Code section 521A.3(4)(a)(6) have likewise been established.

The Commissioner finds that the Applicant's acquisition of control of Symetra is not likely to be hazardous or prejudicial to the insurance-buying public.

V. CONCLUSIONS OF LAW

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The legislature has vested discretion in the Commissioner not only to hold hearings and make factual findings, but also to interpret and apply the law.

Iowa Code Section 521A.3(4)(a) (2015) requires the Commissioner to approve an application for acquisition of control if, after a public hearing, the applicant demonstrates all six criteria listed within that section to the Commissioner.

After a careful review of all evidence submitted, the Commissioner concludes, upon substantial evidence, that the Applicant has demonstrated to the Commissioner all six requirements set forth in, and required by, Iowa Code Section 521A.3(4)(a) (2015). The Applicant's proposed acquisition of control of SCF and indirectly Symetra should be approved.

ORDER

IT IS ORDERED that:

The application of Sumitomo Life Insurance Company for approval of the acquisition of Symetra Life Insurance Company, Symetra National Life Insurance Company, and Symetra Reinsurance Corporation, all of whom are Iowa domestic insurers, by virtue of its acquisition of Symetra Financial Corporation is **APPROVED**.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2015). Any action challenging the Order shall comply with the requirements of Iowa Code Chapter 17A (2015).

Any application for rehearing shall comply with the requirements of Iowa Code Chapter 17A (2015).

DATED this 30th day of December, 2015.



NICK GERHART
Commissioner of Insurance

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