

**BEFORE THE INSURANCE COMMISSIONER OF THE STATE OF IOWA**

In the matter of the application for )  
acquisition of control of CENTURION )  
CASUALTY COMPANY by )  
UNITEDHEALTH GROUP )  
INCORPORATED, UNITED HEALTHCARE )  
SERVICES, INC., and SPECIALTY )  
BENEFITS, LLC )

**FINDINGS OF FACT  
CONCLUSIONS OF LAW,  
AND ORDER**  
(Iowa Code chapter 521A)

**I. INTRODUCTION**

UnitedHealth Group Incorporated, a Delaware corporation (“UHG”), United HealthCare Services, Inc., a Minnesota corporation and a direct wholly-owned subsidiary of UHG (“UHS”), and Specialty Benefits, LLC, a Delaware limited liability company and direct wholly-owned subsidiary of UHS (“Specialty Benefits,”) and collectively with UHG and UHS, the “Applicants”), seek permission to acquire control of Centurion Casualty Company, an Iowa domestic insurer (the “Domestic Insurer”) and direct wholly-owned subsidiary of Wells Fargo Financial, LLC, an Iowa limited liability company (“Wells Fargo”). Pursuant to the proposed acquisition (described in more detail herein), the Domestic Insurer will become a direct wholly-owned subsidiary of Specialty Benefits and an indirect wholly-owned subsidiary of UHS and UHG.

In accordance with the provisions of Iowa Code<sup>1</sup> § 521A.3, the Applicants have filed a Form A Statement, dated November 12, 2019 (the “Form A Statement”), applying for approval of their acquisition of control of the Domestic Insurer with the Commissioner of Insurance of the State of Iowa (the “Commissioner”).

Pursuant to the provisions of Iowa Code § 521A.3(4), and at the request of Applicants, a public hearing was held on Tuesday, December 17, 2019, at the Iowa Insurance Division (“Division”) for the purpose of determining whether the proposed acquisition of control of the Domestic Insurer by the Applicants complies with the statutory requirements set forth in Iowa Code § 521A.3(4)(a).

**II. JURISDICTION**

Notice of the public hearing conducted on December 17, 2019, was provided to the parties in accordance with Iowa Code § 17A.12. (*Trans. at 4; Exhibit 2*) The Commissioner has jurisdiction over this matter under Iowa Code §§ 17A.11, 17A.12, and 521A.3.

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<sup>1</sup> All references to the Iowa Code herein are to the Code of 2019.

### III. EVIDENCE PRESENTED

At the public hearing, the Applicants offered three exhibits as follows:

- Exhibit 1: Written affidavit of the Domestic Insurer regarding receipt of the Form A Statement and Notice of Hearing
- Exhibit 2: Notice of Hearing issued by the Division
- Exhibit 3: A copy of the Form A Statement regarding the acquisition of control of the Domestic Insurer by the Applicants, dated November 19, 2019, with sub-exhibits, portions of which are held confidential pursuant to the provisions of Iowa Code §§ 22.7(6) and 505.8(9) and Iowa Administrative Code rule 191-1.3(11)(c).<sup>2</sup>

Exhibits 1 through 3 were received into the record. (*Trans. at 12-14*)

In addition, the Applicants called one witness at the public hearing, Mr. James F. Bedard, who spoke on behalf of the Applicants. Mr. Bedard is the Manager and Chief Financial Officer of Specialty Benefits. (*Trans. at 15*)

Ms. Beth E. Mack, Vice President and Senior Counsel for Wells Fargo, was called as a witness by the Division. (*Trans. at 30*)

Mr. Bedard testified that he assisted with the preparation of the Form A Statement and was personally familiar with the application and the proposed acquisition. He affirmed that the Form A Statement submitted in this matter is complete, accurate, and up-to-date. (*Trans. at 16-17, 27-28*) He also confirmed that the Form A Statement does not contain any misleading statements or omit any material facts, and that there had been no material changes to the facts, statements, and representations in the Form A Statement since its submission. Mr. Bedard indicated that there were no contracts that are part of the proposed acquisition of which the Division and Commissioner have not been made aware. (*Trans. at 27-28*)

According to the Form A Statement, the Domestic Insurer is currently a direct wholly-owned subsidiary of Wells Fargo. Pursuant to a Stock Purchase Agreement dated October 30, 2019 (the "Purchase Agreement"), Specialty Benefit will purchase from Wells Fargo 260,000 shares of common stock of the Domestic Insurer, which constitute all of the issued and outstanding shares of capital stock of the Domestic Insurer. The Domestic Insurer is licensed to write direct business in 41 states, Guam, and the Northern Mariana Islands as a property and casualty insurance company and is licensed as a reinsurer in Connecticut. The purchase price under the Purchase Agreement for the stock of the Domestic Insurer will be up to \$12,178,500, subject to certain adjustments as set forth in the Purchase Agreement. (*Trans. at 17-18; Exhibit 3*)

The consideration under the Purchase Agreement will be financed with the Applicants' cash on hand, and as such the Applicants do not require outside financing for the proposed acquisition.

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<sup>2</sup> A redacted Public Copy of the Form A Statement was previously provided to the Division and was posted on the Division's website prior to the hearing.

The Applicants further noted in the Form A Statement that the nature and amount of consideration to be paid in the proposed acquisition was determined through arm's length negotiations between the unaffiliated parties assisted by independent advisors. Immediately upon closing of the Purchase Agreement, the Domestic Insurer will become a direct wholly-owned subsidiary of Specialty Benefit and an indirect wholly-owned subsidiary of UHS and UHG. (*Trans. at 17–18; Exhibit 3*)

Mr. Bedard testified regarding the financial stability of the Applicants. UHG is a publicly traded company on the New York Stock Exchange with total assets over \$173 billion as of September 30, 2019. (*Exhibit 3*) Mr. Bedard noted that the Domestic insurers currently are adequately capitalized in excess of the minimum capital and surplus requirement under Iowa law, and will continue to satisfy those requirements after the closing of the proposed acquisition. (*Trans. at 20*) Given the above and the financial statements provided with the Form A Statement, Mr. Bedard testified that the Applicants' acquisition of the Domestic Insurer will neither jeopardize its financial position nor prejudice the interests of its policyholders. (*Trans. at 21*)

In addition, Mr. Bedard testified that, after the consummation of the proposed acquisition, the Domestic Insurer will continue to satisfy the requirements for issuance of licenses to write the lines of insurance for which it is presently licensed. (*Trans. at 20*) However, as the Domestic Insurer will no longer have a presence in the State of Iowa, Mr. Bedard did note that the Applicants plan to re-domesticate the Domestic Insurer to another state. (*Trans. at 22–23*)

Mr. Bedard further testified that the proposed acquisition will not substantially lessen competition in insurance in Iowa. Both Mr. Bedard and Ms. Mack stated that the Domestic Insurer is currently a shell company, with no in-force policies in Iowa or anywhere else. (*Trans. at 21, 31*) Previously, the Domestic Insurer wrote directly and assumed (as a reinsurer) credit unemployment insurance, credit leave of absence insurance, and multi-peril insurance. The credit unemployment and credit leave of absence lines have been in run-off since 2010, and the Domestic Insurer cancelled its direct business and terminated almost all of its reinsurance agreements in 2018. The Domestic Insurer's remaining reinsurance agreements and any other agreements will be terminated prior to the closing of the proposed acquisition. (*Exhibit 3*) As such, Mr. Bedard noted that there will be no impact on the Iowa insurance market. (*Trans. at 21*) In addition, Ms. Mack noted the proposed acquisition will have little to no impact on the broader Iowa economy as the Domestic Insurer does not have any employees and has not been doing business for some time. (*Trans. at 31*)

Mr. Bedard testified that the Applicants are still developing their plans for the Domestic Insurer. (*Trans. at 22*) To date, the Applicants have no plans to liquidate the Domestic Insurer or make any material changes to the Domestic Insurers' business. (*Exhibit 3*) However, as noted above, the Applicants do plan to re-domesticate the Domestic Insurers to another state. (*Trans. at 22–23; Exhibit 3*) Pending the approval of the proposed acquisition, the Applicants do not intend to cause the Domestic Insurer to accept risk, either through writing direct policies or reinsurance, without first submitting a business plan and supporting pro forma financial statements for approval by its new state regulator. (*Trans. at 22*)

In addition, Mr. Bedard stated that the directors and officers of the Domestic Insurer after the proposed acquisition have considerable experience in corporate and insurance company governance and business operations, as demonstrated by their biographical affidavits. (*Trans. at*

24; Exhibit 3) Depending on how the Applicants' plans for the Domestic Insurer evolve, the Applicants, through the Domestic Insurer's officers and directors, may cause the Domestic Insurer to enter into actuarial or other consulting agreements with unaffiliated parties to make the Domestic Insurer operational or to hire additional personnel. Mr. Bedard noted that given such officers' and directors' experience, he believes such individuals have the competence, experience, and integrity such that the interests of the policyholders and the public will not be jeopardized. (Trans. at 24)

#### IV. FINDINGS OF FACT

The statutory requirements that the Applicants' acquisition plan must meet are relatively straightforward. Iowa Code § 521A.3(4)(a) 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, the Domestic Insurer will be able to satisfy Iowa licensure requirements and continue writing the line or lines of insurance for which they are presently licensed.

Iowa Code § 521A.3(4)(a)(1) 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. Bedard testified that after the consummation of the proposed acquisition, the Domestic Insurer will continue to satisfy the requirements for issuance of a license to write the lines of insurance for which they are presently licensed. Mr. Bedard further testified that post-acquisition the Domestic Insurers will continue to satisfy all capital and surplus requirements for licensure under Iowa law. (Trans. at 20) The Commissioner notes that in connection with the proposed acquisition, the

Domestic Insurer has requested approval from the Division to pay an extraordinary dividend prior to the closing of the proposed acquisition. (*Exhibit 3*) Despite this plan, the Domestic Insurer will continue to have sufficient capital and surplus to maintain licensure post-closing. (*Trans. at 20; Exhibit 3*) In addition, Mr. Bedard's testimony gains further support from the evidence regarding the financial resources of the Applicants and the evidence that the proposed acquisition will not jeopardize the financial position of the Domestic Insurer. (*Trans. at 21; Exhibit 3*)

The Applicants have confirmed that the Domestic Insurer will no longer have a presence in Iowa upon the completion of the proposed acquisition. However, the Applicants plan to re-domesticate the Domestic Insurer in another jurisdiction within a reasonable time after the closing of the proposed acquisition. (*Trans. at 22–23*)

The Commissioner finds that the Domestic Insurer's ability to satisfy Iowa licensure requirements and their ability to continue writing existing lines of insurance for which they are licensed will be unimpaired after the change of control.

2. The effect of Applicants' acquisition of control of the Domestic Insurer will not substantially lessen competition in insurance in Iowa.

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

The Domestic Insurer is currently a shell company, with no in-force policies in Iowa or anywhere else. (*Trans. at 21, 31*) Previously, the Domestic Insurer wrote directly and assumed (as a reinsurer) credit unemployment insurance, credit leave of absence insurance, and multi-peril insurance. The credit unemployment and credit leave of absence lines have been in run-off since 2010, and the Domestic Insurer cancelled its direct business and terminated almost all of its reinsurance agreements in 2018. The Domestic Insurer's remaining reinsurance agreements and most other agreements will be terminated prior to the closing of the proposed acquisition. The only assets that will remain in the Domestic Insurer upon the closing of the proposed acquisition are its licenses and capital to maintain minimum capital and surplus requirements for such licenses. (*Exhibit 3*) As such, the Domestic Insurer does no insurance business in Iowa, and the acquisition will have no impact on Iowa market shares.

Given that the acquisition will have no impact on Iowa market shares, the Commissioner finds that the Applicants' acquisition of control of the Domestic Insurer will not substantially lessen competition in insurance in Iowa.

3. The Applicants' financial condition will not jeopardize the financial stability of the Domestic Insurer or prejudice the interests of their policyholders.

Iowa Code § 521A.3(4)(a)(3) 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.

The facts in the record strongly support Mr. Bedard's testimony that the financial condition of the Applicants will neither jeopardize the financial stability of the Domestic Insurer nor prejudice the interests of its policyholders. (*Trans. at 21*) UHG is a publicly traded company on the New York Stock Exchange with total assets over \$173 billion as of September 30, 2019. Pursuant to the Purchase Agreement, Specialty Benefits will pay Wells Fargo up to \$12,178,500 for the purchase of all of the issued and outstanding shares of capital stock of the Domestic Insurer. The Applicants will pay the purchase price using cash on hand and as such they do not require outside financing for the proposed acquisition. (*Exhibit 3*)

The Domestic Insurer has sought the Division's approval for an extraordinary dividend prior to the closing of the proposed acquisition. (*Exhibit 3*) However, the Applicants have no current plans to cause an extraordinary dividend after the closing of the proposed acquisition. In addition, as noted above, the Domestic Insurer currently has no policyholders. (*Trans. at 22; Exhibit 3*)

Given the facts in the record, the Commissioner finds neither the acquisition itself nor the Applicants' post-acquisition plans will create a material adverse financial impact on the Domestic Insurer. There being no evidence of a material adverse financial impact on the Domestic Insurer, and there being no current policyholders of the Domestic Insurer, the Commissioner further finds that the interests of the Domestic Insurer's policyholders will not be prejudiced by the Applicants' financial position.

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

Iowa Code § 521A.3(4)(a)(4) 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 Applicants have no present plans to liquidate, consolidate, or merge the Domestic Insurer, or to sell its assets.<sup>3</sup> (*Trans. at 22; Exhibit 3*) The Domestic Insurer will maintain its separate corporate existence after the closing of the proposed acquisition. (*Trans. at 17; Exhibit 3*) Mr. Bedard testified that the Applicants are still developing their plans for the Domestic Insurer. Despite the lack of current plans, the Commissioner particularly notes that, pending the approval of the proposed acquisition and re-domestication of the Domestic Insurer, the Applicants do not intend to cause the Domestic Insurer to accept risk, either through writing direct policies or reinsurance, without first submitting a business plan and supporting pro forma financial statements for approval by its new state regulator. (*Trans. at 22; Exhibit 3*)

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<sup>3</sup> As noted above, the Domestic Insurer will re-domesticate in another jurisdiction after the closing of the proposed acquisition. It is anticipated that the re-domestication will not require the liquidation, consolidation, or merger of the Domestic Insurer or the sale of their assets.

On the basis of the foregoing evidence, the Commissioner finds that the Applicants' proposed post-acquisition business plans and transactions are not unfair or unreasonable to the Domestic Insurer's policyholders and are not contrary to the public interest.

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

Iowa Code § 521A.3(4)(a)(5) 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 interest will not be jeopardized by the acquisition.

To that end, the Commissioner must review detailed information of the person or persons 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 Iowa Administrative Code rule 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.

With respect to this analysis, the proposed acquisition is straightforward. The Domestic Insurer is currently a direct, wholly-owned subsidiary of Wells Fargo. Once the proposed acquisition is completed, the Domestic Insurer will be a direct, wholly-owned subsidiary of Specialty Benefits. Specialty Benefits is a direct, wholly-owned subsidiary of UHS, which in turn is a direct, wholly-owned subsidiary of UHG. As noted above, UHG is publicly traded on the New York Stock Exchange, and to the best of UHG's knowledge, there are no stockholders owning 10% or more of UGH's voting securities. (*Exhibit 3*) As such, upon consummation of the proposed acquisition, the Domestic Insurer will be ultimately controlled by the UHG.

Facts in the record indicate that the ultimate controlling person, UHG, and the directors and officers of UHG, UHS, Specialty Benefits, and the Domestic Insurer post-closing are experienced and competent based upon their current experience in the insurance industry and general corporate governance and business operations. (*Trans. at 24; Exhibit 3*) Biographical affidavits for each director and executive officer of the Applicants and the Domestic Insurer post-closing were submitted to the Division. (*Exhibit 3*)

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

6. The Applicants' acquisition of control of the Domestic Insurer, as conditioned below, is not likely to be hazardous or prejudicial to the insurance-buying public.

Iowa Code § 521A.3(4)(a)(6) 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 3, and the testimonies of the Mr. Bedard and Ms. Mack, the Commissioner finds that the Applicants' acquisition of control of the Domestic Insurer, as conditioned below, is not likely to be hazardous or prejudicial to the insurance-buying public of the State of Iowa. The Form A Statement submitted by the Applicants, the exhibits thereto, the testimonies of the Mr. Bedard and Ms. Mack, and the other exhibits entered into the record of this proceeding collectively demonstrate that the criteria set forth in Iowa Code § 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 proposed acquisition hazardous or prejudicial to the insurance-buying public. Accordingly, the requirements of Iowa Code § 521A.3(4)(a)(6) have likewise been established.

The Commissioner finds that the Applicants' acquisition of control of the Domestic Insurer, as conditioned below, is not likely to be hazardous or prejudicial to the insurance-buying public.

## V. CONCLUSIONS OF LAW

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 § 521A.3(4)(a) 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 § 521A.3(4)(a). The Applicants' proposed acquisition of control of the Domestic Insurer should be approved.

## ORDER

**IT IS ORDERED** that:

The application of UnitedHealth Group Incorporated, United HealthCare Services, Inc., and Specialty Benefits, LLC for approval of the acquisition of control of Centurion Casualty Company, an Iowa domestic insurer, is **APPROVED** subject to the following conditions:

1. No later than 365 days after the closing of the proposed acquisition, the Applicants will cause the Domestic Insurer to re-domesticate in another jurisdiction unless waived by the Commission in writing or the Domestic Insurer otherwise meets the residency requirements under Iowa law.
2. The Domestic Insurer shall not accept risk, either through writing direct policies, reinsurance or otherwise, without first submitting a business plan and supporting pro forma financial statements for approval by the Division or, if applicable, its new state insurance regulator.



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

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

DATED this 19<sup>th</sup> day of December, 2019.



DOUG OMMEN  
Commissioner of Insurance

Copies to:

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Beth E. Mack, Centurion Casualty Company and Wells Fargo Financial, LLC