BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF CALIFORNIA

IN THE MATTER OF:

The Proposed Acquisition of Control of:	)	
	)	
HEALTH NET LIFE INSURANCE COMPANY, a California stock life and health insurance company	)	
	)	
subsidiary of	)	File No. APP-2015-00889
	)	
HEALTH NET, INC., a Delaware corporation	)	
	)	
BY	)	
	)	
CENTENE CORPORATION, a Delaware corporation	)	
	)	
AND	)	
	)	
CHOPIN MERGER SUB I, INC. and CHOPIN MERGER SUB II, INC., each a Delaware corporation	)	
	)	
	)	

Written Testimony of Keith Harvey Williamson on behalf of Centene Corporation

I. Witness Identification

1. My name is Keith Harvey Williamson. My business address is 7700 Forsyth Boulevard, St. Louis, Missouri 63105.

2. I am Executive Vice President, Secretary and General Counsel of Centene Corporation, a publicly traded Delaware corporation ("Centene").

3. In my capacity as holder of the position set forth in Paragraph 2, I am responsible for the oversight of the legal functions of Centene and its subsidiaries. I have held this position since November 2012 and previously held the position of Senior Vice President, Secretary and General Counsel with Centene with functionally similar responsibilities. Prior to joining Centene, I was employed by Pitney Bowes Inc. and Pitney Bowes Credit Corporation. I am a 1974 graduate of Brown University (B.A. Economics), a 1978 graduate of Harvard's Business and Law Schools (J.D./M.B.A.) and a 1986 graduate of New York University School of Law (LL.M.). I am admitted to practice law in the District of Columbia, the State of Missouri and the State of New York.

4. I have been authorized by Centene to provide this Testimony (as defined in Paragraph 5) on its behalf and in support of the Proposed Acquisition of Control (as defined in Paragraph 5).

II. Involvement with the Merger; Procedural Matters

5. I submit this written testimony (this "Testimony") to the Department of Insurance for the State of California ("CDI") on behalf, and in support, of Centene, which, together with Chopin Merger Sub I, Inc. ("Merger Sub I") and, if certain conditions are met, Chopin Merger Sub II, Inc. ("Merger Sub II" and together with Centene and Merger Sub I, the "Applicants"), each a Delaware corporation and a wholly owned subsidiary of Centene, seeks to indirectly acquire control of Health Net Life Insurance Company, a California domestic stock life and health insurance company ("HNLIC") (the "Proposed Acquisition of Control"), via a merger (the "Merger") of Health Net, Inc., a publicly traded Delaware corporation ("Health Net"), with Merger Sub I and, if certain conditions are met, Merger Sub II.

6. In connection with the Proposed Acquisition of Control, I have reviewed and am familiar with the Form A Statement and the exhibits attached thereto filed by the Applicants with CDI on July 31, 2015 and the supplemental filings and submissions made by the Applicants to CDI in connection with such Form A Statement since its filing (collectively, the "Form A"). The facts set forth in the Form A are true to the best of my knowledge, information and belief.

7. I have been and continue to be actively involved in the Merger.

8. As required by Section 1215.2(a) of the California Insurance Code, the Applicants sent a copy of the initial filing of the Form A to HNLIC on July 31, 2015 via overnight courier.

9. As required by Section 1215.2(f)(1) of the California Insurance Code, on January 8, 2016, the Applicants provided HNLIC with an electronic copy of the third amended notice of public hearing on the Proposed Acquisition of Control issued by CDI on January 8, 2016.

10. In this Testimony, I will provide (a) an overview of the regulatory clearances and approvals required by the Merger (Paragraphs 11-14) and (b) support that clearly demonstrates that the Proposed Acquisition of Control satisfies the statutory standards set forth in Section 1215.2(d) of the California Insurance Code (Paragraphs 15-44).

III. Regulatory Approvals Required for the Merger

11. To complete the Merger, Centene and Health Net must obtain approvals or consents from, or make filings with, a number of United States federal, state and foreign antitrust, health care and insurance regulators and other regulatory authorities. Paragraphs 12 to 14 contain a description of the material United States federal, state and foreign approvals.

12. On July 17, 2015, each of Centene and Health Net filed a Notification and Report Form under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), with the U.S. Department of Justice (the "DOJ") and the U.S. Federal Trade Commission (the "FTC"), which filings started the initial 30-day waiting period required by the HSR Act. On August 11, 2015, early termination of the waiting period under the HSR Act was granted by the FTC and DOJ.

13. The Merger requires approval (or non-objection, grant of exemption or, in certain circumstances, alternative resolution, as the case may be) from (i) state insurance regulators in the States of Arizona, California and Oregon for the "change of control" of Health Net's U.S. domiciled insurance company subsidiaries, (ii) the Department of Managed Health Care of the State of California with respect to the change of control for Health Net's Knox-Keene licensed health care serve plan subsidiaries, (iii) the Health Care Cost Containment System of the State of Arizona with respect to a "change in ownership" for Health Net's Medicaid Acute Care Health Plan in the State of Arizona, (iv) the Department of Banking

and Insurance of the State of New Jersey with respect to the "material modification" to Health Net's subsidiary licensed as an "organized delivery system" in the State of New Jersey and (v) the Insurance Department of the State of Texas with respect to the change of control of Health Net's subsidiary licensed as a third party administrator in Texas. In addition, the Merger requires receipt of a response letter from the Department of Insurance of the State of Missouri confirming that the Merger falls below the threshold requirements for filing a Form E (pre-acquisition notification form regarding the potential competitive impact of a proposed merger) in Missouri, as well as a grant of (public company) exemption from approval requirements for a change of control of Health Net's Cayman Islands domiciled insurance company subsidiaries from the Cayman Islands Monetary Authority. To obtain these approvals, Centene, or the applicable Health Net subsidiary, as the case may be, has filed acquisition of control and material modification or similar statements, notices or applications, as required by the insurance and health care laws and regulations of each applicable state or jurisdiction.

14. To date, approvals have been received from the state insurance regulators in Arizona and Oregon for the "change of control" applications filed in those jurisdictions, though I note that the state insurance regulator in Oregon issued an approval conditioned on receipt of approval of the Proposed Acquisition of Control by the Commissioner of Insurance for the State of California (the "Commissioner"). Additionally, approvals have been received from the Health Care Cost Containment System of the State of Arizona and the Department of Banking and Insurance of the State of New Jersey with respect to the filings made with these regulators, as referenced in Paragraph 13 above, and the deemer period with respect to the filing made to the Insurance Department of the State of Texas has expired. Further, exemptions from the Department of Insurance of the State of Missouri and the Cayman Islands Monetary Authority referenced in Paragraph 13 above have been obtained. With the exception of the approval sought at this hearing, the sole approval which is still pending is the approval of the Department of Managed Health Care of the State of California.

IV. Statutory Standards

15. Pursuant to the laws of the State of California, the Commissioner may disapprove an acquisition of control if he finds that such acquisition of control is likely to result in one or more of five (5) adverse results, as set forth in Section 1215.2(d)(1)-(5) of the California Insurance Code. In the following Paragraphs, I will demonstrate how the Merger, and consequently the Proposed Acquisition of Control, will not result in any such adverse results, and therefore, should be approved by the Commissioner.

Licensure

> The Commissioner may disapprove the transaction if the commissioner finds any of the following:
>
> (1) After the change of control the domestic insurer referred to in subdivision (a) could not satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed. §1215.2(d)(1) Calif. Ins. Code

16. Pursuant to Section 1215.2(d)(1) of the California Insurance Code, the Commissioner may disapprove an acquisition of control if, following such acquisition, a domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the business for which it is presently licensed. Under Section 717 of the California Insurance Code, the Commissioner evaluates applicants for licensure on the following factors: (a) capital and surplus; (b) lawfulness and quality of investments; (c) financial stability; (d) reinsurance arrangements; (e) competency, character, and integrity of management;

(f) ownership and control of issued and outstanding shares in the case of a capital stock insurer; (g) whether claims under policies are promptly and fairly adjusted and are promptly and fully paid in accordance with law and the terms of policies; (h) fairness and honesty of methods of doing business; (i) method by which said applicant was promoted if any of its promoters remain as stockholders or in management; and (j) hazard to policyholders or creditors.

17. With respect to subsections (a) through (c) of Section 717 of the California Insurance Code, the Merger will have no effect upon the capital of HNLIC. The financed portion of the Merger consideration will be serviced from cash flows generated from the combined enterprise resulting from the Merger. The repayment of the debt will not be dependent on earnings from HNLIC. No capital of HNLIC will be used or pledged in connection with the financing of the Merger. In addition, Centene is committed to maintaining a level of capitalization at HNLIC necessary to support its existing business plan.

18. With respect to subsection (d) of Section 717 of the California Insurance Code, Centene has no plans for HNLIC with respect to reinsurance arrangements.

19. With respect to subsection (e) of Section 717 of the California Insurance Code, the competency, character, and integrity of the management of HNLIC has been firmly established through its historical and current business operations and conduct. With respect to Centene, its executive officers are and directors all well respected and experienced in the healthcare industry. It is evident that such individuals possess the competence, experience, integrity and industry knowledge necessary to manage the combined company following the Merger based on (i) the successful growth and operation of Centene, (ii) their backgrounds and biographies which are available in publicly filed SEC documents, and (iii) the biographical information submitted by such individuals on a confidential basis to CDI as part of the Form A.

20. With respect to subjection (f) of Section 717 of the California Insurance Code, Centene's corporate profile and business operations are well documented in the Form A. The company has an established track record in the insurance and healthcare industries as the owner of regulated entities.

21. With respect to subsection (g) of Section 717 of the California Insurance Code, the plans described in Paragraphs 73 through 75 of Kenneth Rone Baldwin's written testimony with respect to the claims functions of HNLIC are prudent and sensible.

22. With respect to subsections (h), (i) and (j), support for licensure with regard to these areas is evident from the Form A.

23. Based on the above, there is no cause to believe that the Proposed Acquisition of Control would inhibit HNLIC's ability to continue to satisfy the requirements for licensure set forth under Section 717 of the California Insurance Code.

<u>Competition</u>

> The Commissioner may disapprove the transaction if the commissioner finds any of the following:
>
> > (2) The purchases, exchanges, mergers, or other acquisitions of control would substantially lessen competition in insurance in this state or create a monopoly therein. §1215.2(d)(2) Calif. Ins. Code

24. Pursuant to Section 1215.2(d)(2) of the California Insurance Code, the Commissioner may disapprove an acquisition of control if, following such acquisition, there would be a substantial lessening of competition in insurance in California or a monopoly created in California.

25. As described in Paragraphs 51-55 of the written testimony of Kenneth Rone Baldwin, the consummation of the Merger will not have any adverse effect upon competition in California, as Centene and HNLIC largely offer different products and operate in different geographical areas of California. The only line of business in which both Centene and Health Net write business in California is Medi-Cal, and I note that HNLIC itself has no Medi-Cal. As stated in the written testimony of Kenneth Rone Baldwin, and as set forth in the "Form E" analysis submitted to CDI by Centene as part of the Form A, there is no geographic overlap by county between the Centene and Health Net Medi-Cal products in California, which means that the companies do not compete with each other in any service area. Consequently, the Merger would not have the result of lessening competition in insurance in California, as the combination would not reduce either the number of competitors in the California insurance market or the products being offered.

26. Rather, the Merger is likely to have a beneficial effect on the ability of HNLIC to effectively compete in the California insurance market. As stated in Paragraph 53 of the written testimony of Kenneth Rone Baldwin, Health Net's strength in the California marketplace has been focused historically in Southern California. The Merger will result in a combined company which will have the size and resources to potentially expand its offerings similar to those historically limited to Southern California to other regions of California.

27. The Merger is also anticipated to positively contribute to the overall needs of California's healthcare system as articulated in Paragraph 54 of the written testimony of Kenneth Rone Baldwin.

28. The competitive effects of the Merger are analyzed in greater detail in the written testimony provided by Centene's expert witnesses, Drs. Lawrence Wu and Paul Wong, in this proceeding.

29. Accordingly, following the Merger, there will not be a substantial lessening of competition in insurance in California or a monopoly created in California.

<u>Financial Stability and Policyholder Interests</u>

> The Commissioner may disapprove the transaction if the commissioner finds any of the following:
>
> > (3) The financial condition of an acquiring person might jeopardize the financial stability of the insurer, or prejudice the interests of its policyholders. §1215.2(d)(3) Calif. Ins. Code

30. Pursuant to Section 1215.2(d)(3) of the California Insurance Code, the Commissioner may disapprove an acquisition of control if the financial condition of any acquiring party in such acquisition of control is such as might jeopardize the financial stability of the domestic insurer or prejudice the interests of such domestic insurer's policyholders.

31. The financial condition of Centene will in no way jeopardize the financial stability of HNLIC. Indeed, Centene presents an extremely robust financial profile as evidenced by Centene's financial statements provided as exhibits to the Form A. Following the Merger, HNLIC will be within a combined

group that is expected to generate increased cash flow that would otherwise not be available on a standalone basis.

32. Pro forma financial projections for the combined company are contained in Centene and Health Net's joint proxy statement (Form S-4) filed with the U.S. Securities and Exchange Commission in connection with the Merger. These pro forma financials were also shared with CDI as part of the Form A review process. The pro forma financials project a financially strong and stable combined company.

33. There is also evidence that the financial strength of Centene will enhance HNLIC's financial stability in California's competitive marketplace, thereby protecting and enhancing the interests of its policyholders. For example, Centene is committed to maintaining a level of capitalization at HNLIC necessary to support its existing business plan.

34. In addition, the pro forma financial projections for HNLIC provided confidentially to CDI as part of the Form A review process reflect significant growth that would be more difficult to achieve on a standalone basis.

35. Accordingly, Centene's financial condition will not jeopardize the financial stability of HNLIC or prejudice the interests of HNLIC's policyholders.

Plans for the Domestic Insurer

> The Commissioner may disapprove the transaction if the commissioner finds any of the following:
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> > (4) The plans or proposals which the acquiring person has to liquidate the insurer, to sell its assets, or to merge it with any person, or to make any other major change in its business or corporate structure or management, are not fair and reasonable to policyholders. §1215.2(d)(4) Calif. Ins. Code

36. Pursuant to Section 1215.2(d)(4) of the California Insurance Code, the Commissioner may disapprove an acquisition of control if the plans or proposals of an acquiring party in such acquisition of control are unfair and unreasonable to the policyholders of a domestic insurer.

37. As documented in the Form A, Centene has no plans or proposals to cause HNLIC to declare an extraordinary dividend, liquidate HNLIC, sell any of HNLIC's assets (other than in the ordinary course of business), or to merge HNLIC with any person or persons or to make any other material change in HNLIC's corporate structure, business operations or management. Following the consummation of the Proposed Acquisition of Control, HNLIC will continue to maintain its separate corporate existence.

38. As reflected in the written testimony of Kenneth Rone Baldwin, in the same manner in which Centene operates in all of its other states -- more than 20 -- Centene has no plans to make any material changes to HNLIC, its organizational structure, its governance, its management, its local headquarters, or any other function or process that would adversely impact California consumers or providers.

39. Centene is supportive of the current operations and management of HNLIC, and intends to cause current management to continue to pursue the business plan that it has already developed, but soon to be backed by the financial and other resources of Centene. For example, HNLIC currently outsources various administrative and claims functions because it does not have the scale to provide those services

internally. Centene will evaluate the potential to in-source those functions over time to the benefit of consumers and providers.

40. Accordingly, there are no current plans or proposals for HNLIC that would be unfair and unreasonable to the policyholders of HNLIC.

Competence and Integrity of Control Persons

> The Commissioner may disapprove the transaction if the commissioner finds any of the following:
>
> > (5) The competence, experience, and integrity of those persons who would control the operation of the insurer indicate that it would not be in the interest of policyholders or the public to permit them to do so. §1215.2(d)(5) Calif. Ins. Code

41. Section 1215.2(d)(5) of the California Insurance Code provides that the Commissioner may disapprove an acquisition of control if the competence, experience and integrity of the resulting control persons in such acquisition would not be in the interest of the policyholders of a domestic insurer or the public.

42. Paragraphs 26 through 28 of the written testimony of Kenneth Rone Baldwin provide and reference support for the competence, experience and integrity of the executive officers and directors of the Applicants.

43. As demonstrated by Centene's controlled growth over the past 30 years into more than 20 states, Centene's business model, commitment to local management, financial strength, and fair dealings with regulators, consumers, and providers are in fact in the best interest of policyholders and the public.

44. Accordingly, as demonstrated above, there should be no concern as to the competence, experience and integrity of the persons who would control the operations of HNLIC.

VIII. Conclusion

45. I would like to thank the Commissioner and the Staff of CDI for their attention to, and their diligence in reviewing, the Form A. Based on this Testimony, the Form A and the written testimonies of Kenneth Rone Baldwin, Steven Sell, and Drs. Lawrence Wu and Paul Wong submitted to CDI in this proceeding, it is Centene's position that the Proposed Acquisition of Control satisfies all of the applicable standards of review for approval under Section 1215.2(d) of the California Insurance Code and that the Commissioner has a sufficient and robust record for the issuance of an approval order with respect to the Proposed Acquisition of Control as set forth in the Form A.

46. In conclusion, for the foregoing reasons, Centene respectfully requests that the Commissioner approve the Proposed Acquisition of Control.

* * * * * * *

Keith Harvey Williamson deposes and says that he is the Executive Vice President, Secretary and General Counsel of Centene Corporation, that he has read the foregoing written testimony and knows the contents thereof and that the same are true of his own knowledge.

Keith Harvey Williamson