

**BEFORE THE STATE OF CONNECTICUT
INSURANCE DEPARTMENT**

IN THE MATTER OF:)	DOCKET NO.
)	
THE ACQUISITION OF)	EX 22-14
AETNA INSURANCE COMPANY OF CONNECTICUT)	
)	
BY CONTINENTAL CASUALTY COMPANY, THE)	
CONTINENTAL CORPORATION, CNA FINANCIAL		
CORPORATION AND LOEWS CORPORATION		

AFFIDAVIT OF STATHY DARCY ON BEHALF OF APPLICANTS

I, Stathy Darcy, hereby declare under penalty of perjury as follows:

I am Senior Vice President, Deputy General Counsel and Secretary of each of Continental Casualty Company, CNA Financial Corporation and The Continental Corporation. I present this Affidavit on behalf of the Applicants to show the evidence supporting the approval of the above-entitled action under Conn. Gen. Stat. § 38a-132(a). I am authorized to give this Affidavit by the powers vested in me under my duties on behalf of Continental Casualty Company, CNA Financial Corporation and The Continental Corporation, and have been authorized to give this Affidavit by Loews Corporation.

I. Witness Identification

1. Please state, for the record, your full name, business address and by whom you are employed.

A: My name is Stathy Darcy. I am employed by CNA Financial Corporation, a publicly traded Delaware corporation ("CNA"). My business address is 151 N. Franklin Street, Chicago, Illinois 60606.

2. What is your position at CNA?

A: I am Senior Vice President, Deputy General Counsel and Secretary of CNA. I am also Senior Vice President, Deputy General Counsel and Secretary of Continental Casualty Company, a property and casualty insurance company domiciled in

Illinois (“CCC”) and The Continental Corporation, a New York corporation (“TCC”).

3. Please identify your responsibilities as Senior Vice President, Deputy General Counsel and Secretary.

A: I provide securities-related counsel and advice with respect to various transactional and other general corporate law matters, including acquisitions, governance and financing projects.

4. Please describe your career and educational background.

A: I have been Senior Vice President and Deputy General Counsel of CNA, CCC and TCC since October 2010, and have also served as Secretary of these entities since July 2017. Prior to that, I was Vice President and Deputy General Counsel-Mutual Funds of Calamos Asset Management beginning in April 2006. From 1994 to 2006, I was a corporate and securities lawyer at the law firm of Chapman and Cutler LLP in Chicago, Illinois, and also served as a partner my final years there. From 1991 to 1993, I served as Counsel, Division of Corporation Finance at the United States Securities and Exchange Commission.

I received a B.A. in Political Science and a B.S. in Psychology from the University of Illinois Urbana-Champaign in 1988 and a J.D. from Pepperdine University School of Law in 1991.

5. Please explain for the record your purpose for providing this testimony here today.

A: I am providing testimony in support of the proposed acquisition of control of Aetna Insurance Company of Connecticut, a property and casualty insurance company domiciled in Connecticut (which I will refer to as the “Domestic Insurer”), by CCC, TCC, CNA and Loews Corporation, a publicly traded Delaware corporation (“Loews” and collectively with CCC, TCC and CNA, the “Applicants”).

The Domestic Insurer is licensed in all 50 states, plus the District of Columbia. The Domestic Insurer ceased writing new business in 2017. As of the year ended December 31, 2020, the Domestic Insurer reported assumed group auto business currently in run off.

The Domestic Insurer is currently a direct, wholly owned subsidiary of AHP Holdings, Inc., a Connecticut corporation (which I will refer to as “AHP Holdings”), whose ultimate parent is CVS Health Corporation, a publicly traded Delaware corporation. Following the consummation of the “Proposed Acquisition,” CCC will directly own 100% of the issued and outstanding shares of common stock of the Domestic Insurer. As a result, the Domestic Insurer will become a direct, wholly owned subsidiary of CCC, an indirect, wholly owned subsidiary of each of TCC and CNA, and an indirect, majority owned subsidiary of Loews.

6. Have you been authorized by the Applicants to speak on their behalf at this hearing?

A: Yes, I am authorized to testify on behalf of CCC, TCC and CNA at this hearing, and have been authorized to testify on behalf of Loews.

7. Are you familiar with the Proposed Acquisition and the Form A Statement which is the subject of this hearing?

A: Yes. I have been and continue to be fully and actively involved in all regulatory aspects of the Proposed Acquisition, including the preparation and filing of the Form A Statement. In connection with the Proposed Acquisition, I have reviewed and am familiar with the Form A Statement and the exhibits attached thereto filed by the Applicants with the Connecticut Insurance Department (which I will refer to as the “Department”) on February 10, 2022, and the supplemental filings and submissions made by the Applicants to the Department in connection with such Form A Statement, including the Amended and Restated Form A Statement dated May 3, 2022.

8. Does the Form A Statement accurately describe the Proposed Acquisition?

A: Yes, the Form A Statement accurately describes the Proposed Acquisition.

II. Procedural Matters

9. Did the Applicants send to the Domestic Insurer a copy of the Form A Statement?

A: Yes. The Applicants sent a copy of the Form A Statement and a copy of the Amended and Restated Form A Statement to the Domestic Insurer, through its outside counsel, on February 11, 2022 and May 3, 2022, respectively.

10. Did the Applicants receive notice of the public hearing?

A: Yes. The Applicants received notice of the hearing from the Department on May 5, 2022.

11. Did the Domestic Insurer receive notice of the public hearing?

A: Yes. The Applicants provided notice of the public hearing to the Domestic Insurer, through its outside counsel, shortly after their receipt of notice from the Department.

12. Was notice of the public hearing published?

A: Yes. CNA caused notice of the public hearing to be published in the *Hartford Courant* on May 12, 2022, and May 19, 2022.

13. Have there been any material changes with respect to the information provided or required in the Form A Statement since the Form A Statement was filed by the Applicants?

A: Other than the information provided in the Amended and Restated Form A Statement, there have not been any material changes to the Form A Statement since the time it was filed by the Applicants.

III. The Applicants

14. Please identify the Applicants on the Form A Statement.

A: The Applicants in this proceeding are CCC, TCC, CNA and Loews.

15. Please provide an overview of the Applicants and its business activities.

A: CCC is a property and casualty insurance company domiciled in Illinois and a direct, wholly owned subsidiary of TCC. CCC is licensed in all 50 states, plus the District of Columbia.

TCC is a New York corporation and a direct, wholly owned subsidiary of CNA. TCC is an insurance holding company within the CNA insurance holding company system.

CNA, a publicly traded Delaware corporation listed on the New York Stock Exchange (NYSE: CNA), is one of the largest U.S. commercial property and casualty insurance holding companies (together with its subsidiaries, the “CNA Group”). The CNA Group provides a broad range of standard and specialized insurance products and services for businesses and professionals in the U.S., Canada and Europe. The CNA Group’s insurance products primarily include commercial property and casualty coverages, including surety, and its services include warranty, risk management information services and claims administration.

For the year ended December 31, 2021, CNA had approximately \$66.6 billion in consolidated assets, \$53.8 billion in consolidated liabilities, and \$1.2 billion in net income. As of December 31, 2021, Loews held approximately 89.6% of the outstanding common stock of CNA.

Loews is a publicly traded Delaware corporation on the NYSE (NYSE: L), and it is a holding company with subsidiaries engaged in the following lines of business: commercial property and casualty insurance; transportation and storage of natural gas and natural gas liquids; operation of a chain of hotels; and manufacture of rigid plastic packaging solutions.

16. Have biographical affidavits and background reports been submitted for CNA's directors and executive officers?

A: Yes. NAIC biographical affidavits for CNA's current directors and executive officers were provided to the Department via hand delivery on March 9, 2022, in connection with the Form A Statement. In addition, background verification reports in respect of these biographical affidavits were provided directly to the Department by an NAIC-approved third-party verification service, ACS Data Search, via FedEx on March 31, 2022.

IV. Overview of the Proposed Acquisition

17. Please briefly state the method by which the Applicants propose to acquire control of the Domestic Insurer?

A: The proposed acquisition of control of the Domestic Insurer would occur through the acquisition by CCC of all of the issued and outstanding shares of common stock of the Domestic Insurer pursuant to a Stock Purchase Agreement, dated as of December 15, 2021, by and among CCC, AHP Holdings and, solely for limited purposes, CVS Pharmacy, Inc. (the "Stock Purchase Agreement"). A copy of the Stock Purchase Agreement was provided to the Department as Exhibit A to the Form A Statement.

18. Is the completion of the Proposed Acquisition subject to the satisfaction of closing conditions?

A: The completion of the Proposed Acquisition is subject to the satisfaction or, to the extent permitted by applicable law, waiver of customary closing conditions, including, but not limited to, receipt of required state insurance approvals from applicable governmental authorities, including the approval of this Form A Statement which is the subject of this public hearing.

19. What is the purchase price associated with the Proposed Acquisition?

A: The estimated purchase price for the Proposed Acquisition is approximately \$16.2 million, which is calculated based on an estimate of the Domestic Insurer's capital and surplus as of the date of the Closing (approximately \$6,000,000 as of December 31, 2021) plus a pre-agreed purchase price (\$200,000) for each of the Domestic Insurer's fifty-one certificates of authority.

20. How was the purchase price determined?

A: The purchase price was determined by arm's-length negotiations between unaffiliated parties and their respective financial advisors and counsel following customary due diligence. The Applicants did not rely on any report or opinion to determine the appropriate purchase price but rather on their own respective investigation of the consideration paid in other recent acquisitions of similarly situated "shell" insurance companies that do not have any active businesses.

21. Please describe the source of funds that will be used to finance the Proposed Acquisition.

A: CCC will pay the purchase price through available cash on hand.

22. Is the Proposed Acquisition conditioned upon receipt of financing by the Applicant?

A: No. The Proposed Acquisition is not subject to a financing condition.

V. Benefits of the Proposed Acquisition

23. What is the rationale for pursuing the Proposed Acquisition?

A: The Applicants are seeking to acquire the Domestic Insurer, a shell insurance company that ceased writing new business approximately seven years ago, for corporate flexibility purposes. Although the Applicants have no definitive plans to utilize the Domestic Insurer for any specific strategic transactions or other uses at this time, even in the absence of such definitive plans, the Applicants see inherent value in owning a shell insurance company for many reasons. Shell insurance companies are a tool to facilitate a broad range of strategic transactions and other initiatives. By acquiring the Domestic Insurer, CNA will gain the corporate flexibility to be able to evaluate, negotiate and (subject to required corporate, regulatory and other approvals) consummate potential strategic transactions and other initiatives with respect to businesses that are not available to CNA today.

VI. Future Plans for the Domestic Insurer

24. Do the Applicants have any plans to cause the Domestic Insurer to declare any extraordinary dividend, to liquidate it, sell its assets, merge it with any other persons or materially change its business?

A: The Applicants have no present plans to cause the Domestic Insurer to declare any extraordinary dividend, to liquidate the Domestic Insurer, to sell the assets of the Domestic Insurer (other than in ordinary course), to merge the Domestic Insurer with any person or persons or to materially change the Domestic Insurer's business. Immediately following the Closing, the Domestic Insurer will continue to maintain its separate corporate existence and the Applicants intend to operate the Domestic Insurer's runoff operations consistent with its current operations. After the Closing, the Domestic Insurer will continue to operate in a manner consistent with laws, regulations and the reporting requirements of all applicable regulatory agencies.

25. Do the Applicants have any plans to materially change the corporate structure of the Domestic Insurer following the closing?

A: Following the Closing, the Applicants intend to redomicile the Domestic Insurer to Illinois, CNA's lead regulatory state. In connection with the proposed redomestication, the Domestic Insurer seeks to remain licensed in Connecticut as a

foreign insurance company. As part of the redomestication, the Applicants also intend to change the name of the Domestic Insurer.

26. Do the Applicants have any plans to materially change the management of the Domestic Insurer following the closing?

A: The Applicants intend to appoint new directors and executive officers of the Domestic Insurer effective on the date of the Closing. These individuals, including myself, have many years of experience as directors and/or executive officers in the insurance industry, and each one is currently a director and/or executive officer of CCC, TCC and CNA. NAIC Biographical Affidavits and background verification reports have been provided to the Department.

27. Please describe any proposed intercompany agreements.

A: Following the Closing, CCC intends to enter into the following intercompany agreements with the Domestic Insurer: (1) an Administrative Services Agreement, whereby CCC will provide certain administrative services to the Domestic Insurer as needed, and (2) a Tax Allocation Agreement. It is also anticipated that the Domestic Insurer will be added as a party to the CNA Group's intercompany expense agreement and investment facilities and services agreement following the post-closing redomestication of the Domestic Insurer to Illinois.

The Applicants intend to file the proposed Administrative Services Agreement and Tax Allocation Agreement and amendments to add the Domestic Insurer as a party to the CNA Group's intercompany agreements with the Illinois Department of Insurance following the post-closing redomestication.

28. Please describe any other business plans for the Domestic Insurer immediately following the closing.

A: While the Applicants regularly evaluate their existing books of business, the Applicants have no definitive plans for the utilization of a shell insurance company at this time. Following the closing of the Proposed Acquisition, the Applicants look forward to being able to consider utilizing the Domestic Insurer in conjunction with such regular evaluations.

VII. Statutory Criteria

29. Pursuant to the laws of the State of Connecticut, the Commissioner of the Connecticut Insurance Department shall approve any merger or other acquisition of control unless, after a public hearing, he finds that such merger or acquisition of control would result in one or more of six adverse consequences, as set forth in Conn. Gen. Stat. § 38a-132(a)(1)-(6). The following questions relate to those criteria. Will the Proposed Acquisition result in any of these adverse consequences or violate any of these standards?

A: No, the Proposed Acquisition will not result in any such consequences or violations, and there are no circumstances as described in those statutory provisions that would cause the Commissioner to disapprove the proposed acquisition of control of the Domestic Insurer. Therefore, I respectfully submit, on behalf of the Applicants, that the proposed acquisition of control of the Domestic Insurer should be approved by the Commissioner.

30. First, following the consummation of the Proposed Acquisition, will the Domestic Insurer 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?

A: Yes, following the consummation of the Proposed Acquisition, the Domestic Insurer will be able to continue to satisfy the requirements for the issuance of a license to write the business for which it is presently licensed. Aetna Insurance Company of Connecticut is currently licensed as a property and casualty insurance company. As demonstrated through its license, the Domestic Insurer satisfies the minimum requirements for licensure as a property and casualty insurance company under Connecticut insurance law.

Following the consummation of the Proposed Acquisition, the Applicants intend to continue the runoff operations of the Domestic Insurer without any material change, and have no intention of causing the Domestic Insurer to take any action that would inhibit its ability to satisfy the requirements for licensure under Connecticut insurance law. In connection with the redomestication and name change, the Domestic Insurer will seek to remain licensed in Connecticut as a foreign insurance company and will be able to satisfy the requirements for licensure as a foreign property and casualty insurance company in Connecticut.

31. Second, will the Proposed Acquisition substantially lessen competition in insurance in Connecticut or tend to create a monopoly in Connecticut?

A: No. Because the Domestic Insurer ceased writing new business approximately seven years ago and, as such, does not write any business and has no market share in Connecticut (or elsewhere), the Proposed Acquisition will not substantially lessen competition in insurance in Connecticut or tend to create a monopoly in Connecticut. *See* Conn. Gen. Stat. § 38a-131(b)(4)(B). Therefore, in all lines of business, Proposed Acquisition meets the exemption standard set forth in Conn. Gen. Stat. § 38a-131(b)(4)(B) because the Proposed Acquisition would not result immediately in any increase in market share in any line of insurance in Connecticut held by the Domestic Insurer or the Applicants.

32. Third, is the financial condition of the Applicants such that it might jeopardize the financial stability of the Domestic Insurer or prejudice the interests of its policyholders?

A: No. The historical consolidated financial statements of the Applicants filed with the Form A Statement clearly demonstrate the Applicants' financial strength. As

of the year ended December 31, 2021, CNA had approximately \$66.6 billion in consolidated assets, \$53.8 billion in consolidated liabilities, and \$1.2 billion in net income. Accordingly, the financial condition of the Applicants is not such that it might jeopardize the financial stability of the Domestic Insurer, which does not have any policyholders.

33. Fourth, do the Applicants have any plans or proposals to liquidate the Domestic Insurer, to sell its assets or to consolidate or merge it with any person or to make any other material change in its business or corporate structure or management that would be unfair and unreasonable to policyholders of the Domestic Insurer and not in the public interest?

A: No. The Applicants have no current plans or proposals to liquidate the Domestic Insurer, to sell its assets, to consolidate or merge it with any person or to materially change its business. Immediately following the Closing, the Domestic Insurer will continue to maintain its separate corporate existence and will continue to operate its runoff operations in a manner consistent with its current operations.

The Applicants have no plans to make any material changes to the corporate structure or management of the Domestic Insurer other than the proposed changes to the domicile, name and directors and executive officers of the Domestic Insurer, which does not have any policyholders. The Applicants' plans are customary in a shell insurance company acquisition and are not against the public interest.

34. Fifth, please discuss whether the competence, experience and integrity of the persons who will control the operations of the Domestic Insurer after closing will in any way not be in the interest of policyholders of the Domestic Insurer or the public.

A: The directors and executive officers of the Applicants (as such list of directors and executive officers has been supplemented on May 23, 2022), who are the proposed directors and executive officers of the Domestic Insurer, including me, are very well experienced and competent based on our history with the companies we serve and our prior work experience. Further evidence is reflected in the biographical information that was submitted to the Department as part of the Form A Statement.

I know each of these individuals personally and I have reviewed their biographical affidavits. Based on my personal knowledge and my review, I can confirm that all of these individuals and I are not only highly competent and experienced, but individuals of the highest moral integrity.

For these reasons, the competence, experience and integrity of the persons who will control the operations of the Domestic Insurer after the Closing will in no way be adverse to the public.

35. Sixth, will the Proposed Acquisition likely be hazardous or prejudicial to those buying insurance?

A: No. The Proposed Acquisition will not be hazardous or prejudicial to those buying insurance. The Domestic Insurer is not actively writing new business and the Applicants have no present plans to cause the Domestic Insurer to begin writing new business through the Domestic Insurer. As a result, there is no evidence that the Proposed Acquisition is likely to be hazardous or prejudicial to those buying insurance.

VIII. Closing Remarks

36. Is there anything else that you would like to add at this time?

A: Yes. I would like to thank Commissioner Mais, Hearing Officer Caporale, Ms. Belfi, Ms. Dowty, Mr. Cotrone and Mr. Arfanis and the other Department Staff for their prompt attention to this matter and for their diligence in reviewing the Form A Statement.

Based on the record established and the filing of the Form A Statement, it is the Applicants' position that the proposed acquisition of control of the Domestic Insurer satisfies all of the applicable standards of review for approval under Conn. Gen. Stat. § 38a-132(a) 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 of the Domestic Insurer by the Applicants as set forth in the Form A Statement.

I state under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief.

FURTHER THE AFFIANT SAYETH NOT



Stathy Dardy
Senior Vice President,
Deputy General Counsel and Secretary
CNA Financial Corporation

SUBSCRIBED and SWORN to before
me this 23rd day of May 2022.


Notary Public

My Commission expires:

