STATE OF CONNECTICUT
Insurance Department

In the Matter of:	:	
	:	
PROPOSED ACQUISITION OF CONTROL OF AETNA LIFE INSURANCE COMPANY OF AMERICA and AETNA LIFE INSURANCE AND ANNUITY COMPANY, subsidiaries of AETNA INC., a Connecticut Insurance Holding Company	:	Docket No. EX 00-87
	:	
by ING GROEP, N.V., a corporation organized under the laws of the Netherlands	:	

PROPOSED FINAL DECISION

I. INTRODUCTION

On or about August 21, 2000, ING Groep, N.V., a corporation organized under the laws of the Netherlands, ("ING" or the "Applicant") filed an Application on Form A with the Connecticut Insurance Department ("Department") pursuant to Conn. Gen. Stat. §38a-130 requesting approval by the Insurance Commissioner of the State of Connecticut ("Commissioner") for the proposed acquisition of control of Aetna, Inc., ("Aetna"), a Connecticut holding company which is the parent entity of Aetna Life Insurance Company of America ("ALICA") and Aetna Life Insurance and Annuity Company ("ALIAC") (ALICA and ALIAC collectively are "the Domestic Insurers" or "the Aetna Companies"), Connecticut domiciled insurance companies, by the Applicant. ("Proposed Transaction"). Supplemental information was subsequently requested by the Insurance Department and provided by ING. The proposed change of control would be effected pursuant to an Agreement and Plan of

Restructuring and Merger ("Agreement") dated July 19, 2000 by and among the Applicant; ING America Insurance Holdings, Inc. ("ING America"), a Delaware corporation and wholly owned subsidiary of the Applicant; ANB Acquisition Corp. ("Merger Sub"), a Connecticut corporation and a direct wholly owned subsidiary of ING America; and Aetna.

On September 14, 2000, Insurance Commissioner Susan F. Cogswell ("Commissioner Cogswell") issued a notice of hearing, in which she ordered that a public hearing concerning the application for approval of the proposed acquisition of control of the Domestic Insurers be held on October 3, 2000. The hearing notice was subsequently published in The Hartford Courant on September 19 and 26, 2000. The notice of hearing was also filed with the Office of the Secretary of State on September 14, 2000 and was also published on the Insurance Department's internet website. On September 14, 2000, Commissioner Cogswell appointed the undersigned to preside over the October 3, 2000 public hearing. Commissioner Cogswell was in attendance for the entire October 3, 2000 public hearing.

In accordance with Conn. Agencies Regs. §38a-8-48, the following were designated as parties to this proceeding: the Applicant, Aetna and the Domestic Insurers.

The following individuals testified at the public hearing on behalf of the Applicant and the Domestic Insurers:

John Barmeyer, Esq., Senior Vice President and General Counsel, ING America;

Fred Hubbell, executive board member, ING Groep, N.V. and Chairman of the Executive Committee, ING America;

Michael Cunningham, Executive Vice President, ING Insurance Holdings, Inc.

Scott Burton, Chief Counsel for Transactional Matters, ING America;

William H. Donaldson, Chairman and Chief Executive Officer, Aetna, Inc.;

Thomas Strohmenger, Esq., Vice President & Counsel, Aetna, Inc.;

William Casazza, Esq., Vice President, General Counsel and Corporate Secretary, Aetna, Inc.;

Christopher Todoroff, Esq., Counsel, Aetna, Inc.;

Kathleen Keegan, Managing Director, Capital Management, Aetna Inc.; and

Catherine Smith, Chief Financial Officer, Aetna Financial Services.

Messrs. Barmeyer and Burton; Edward F. Hennessey, Esq. Craig A. Raabe, Esq. and Edward J. Samorajczyk, Esq., of Robinson & Cole; and William Torchiana, Esq. of Sullivan & Cromwell represented the Applicant. Edward Shaw, Esq., General Counsel, Aetna, Inc.; Thomas Strohmenger, Esq., Vice President and Counsel, Aetna, Inc.; and Thomas J. Groark, Jr., Esq., of Day, Berry & Howard represented Aetna and the Domestic Insurers.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments no later than the close of business on October 4, 2000. The following members of the public spoke at the hearing: Phil Wheeler, director of the United Auto Workers Region 9A and President of Citizens for Economic Opportunity; Rev. Roger Floyd, Executive Director of the Capitol Region Council of Churches; Thomas Swan, Executive Director of the Connecticut Citizens Action Group; Kevin Brown, Secretary Treasurer of Service Employees International Union, Local 531; and Richard B. Schreiber, a concerned retiree whose investments are managed by the Aetna deferred compensation plan. In addition, Rev. Floyd, Mr. Swan and Mr. Wheeler submitted written comments.

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, and based on the testimony of the witnesses, the undersigned makes the following findings of fact:

1. The Applicant is a Netherlands corporation, with principal offices at Strawinskylaan 2631, 1077 ZZ Amsterdam, the Netherlands. (Ex. 3) ING is a publicly held corporation, whose shares are traded on the AEX stock exchange in the Netherlands and, in the United States, on the New York Stock Exchange in the form of depository shares. (Ex. 3)

2. Aetna is a Connecticut insurance holding company, and the Domestic Insurers are Connecticut domiciled insurance companies. (Ex. 3) Aetna and the Domestic Insurers are located at 151 Farmington Ave., Hartford, CT 06156-7505. (Ex. 3) ALIAC was licensed in 50 states, the District of Columbia, Guam, Puerto Rico and the U.S. Virgin Islands as of December 31, 1999. (Ex. 3 B-7) ALICA was licensed in 39 states and the District of Columbia as of December 31, 1999 (Ex. 3 B-5), but only does business in Taiwan. (Tr. 99)

3. On or about July 19, 2000, the Applicant, Aetna, ING America, and Merger Sub entered into the Agreement whereby the outstanding shares of common stock of Aetna will be purchased for approximately $7.7 billion minus the greater of (A) $2.678 billion (which amount shall be reduced by $300 million if the $300 million outstanding principal amount of 6.75% Notes of Aetna Services, Inc. due and payable on August 15, 2001 is repaid in full on such maturity date) and (B) the aggregate principal amount of all Long Term Debt as defined in

the Agreement subject to certain adjustments for capital contributions and specified accrued amounts as set forth in the Agreement. (Ex. 3) Subject to the terms of the Agreement, Merger Sub will be merged with and into Aetna, with Aetna being the surviving company. The Domestic Insurers will become indirect wholly owned subsidiaries of ING.[1] (Ex.3) In addition, ING will acquire Aetna Insurance Company of America, a Florida-domiciled insurance company, which is subject to separate regulatory approval by the Florida Insurance Department. (Tr. 38)

4. Administrative notice is taken that ALIAC is currently licensed pursuant to Conn. Gen. Stat. section 38a-41 for accident and health, life non-participating, variable life non-participating, variable annuities and reinsurance; and that ALICA is licensed for accident and health, life non-participating, life participating; variable life non-participating, variable life participating and variable annuities.

5. In its acquisition of the Domestic Insurers as well as Aetna Insurance Company of America, ING will be acquiring Aetna's financial services business and its international business. (Tr. 14)

[1] Pursuant to the Agreement, Aetna Life Insurance Company, Aetna Health and Life Insurance Company, and Aetna Insurance Company of Connecticut, all Connecticut domiciled insurance companies and subsidiaries of Aetna, will be contributed to Aetna U.S. Healthcare, Inc., which will not be acquired by ING.

6. Of the approximately $7.7 billion in consideration, approximately $5 billion will be cash and approximately $2.7 billion will be the assumption by the Applicant of Aetna debt. (Ex. 6; Tr. 13, 29-30)

7. Mr. Cunningham testified that with the assumption of the $2.7 billion of Aetna debt, the debt-to-capitalization ratio is expected to be under 25% at the insurance holding company level. (Tr. 59)

8. Mr. Cunningham testified that neither the stock nor assets of either of the Domestic Insurers will be pledged as collateral for any portion of the consideration, and that the stock or assets of any ING affiliated insurer will also not be pledged as collateral. (Tr. 60)

9. In addition, prior to and as a condition to the closing of the Merger, Aetna will distribute to its shareholders all of the outstanding shares of common stock of Aetna U.S. Healthcare, Inc., which is a wholly owned direct subsidiary of Aetna. (Ex. 3)

10. Mr. Cunningham testified that goodwill will be approximately $5.4 billion, but will be written off at all levels under Dutch accounting principles for the annual report of ING Groep, N.V. (Tr. 54-55)

11. The consideration for the shares being acquired by ING will be provided through internal funding within the ING group, use of the group’s excess capital, liquidation of the

Applicant's interests in other operations, and possibly, access to international capital markets. Applicant has stated it does not intend to borrow any funds in respect of the consideration for the shares. (Ex. 3)

12. The nature and amount of the consideration was arrived at through arms length negotiations between representatives of ING and Aetna, and their respective financial advisors. (Ex. 3) Both parties were represented by investment bankers, actuarial consultants and legal advisers. (Tr. 30)

13. Goldman, Sachs & Co. and Donaldson, Lufkin & Jenrette, both investment banking firms, have issued written opinions to the Aetna Board of Directors regarding the fairness, from a financial point of view, of the consideration to be received by shareholders of Aetna pursuant to the merger. (Ex. 3 E-1, 3 E-2)

14. The merger has been approved by the boards of directors of ING and Aetna, and will be submitted for approval by Aetna's shareholders in November or December. (Tr. 30)

15. As of December 31, 1999 ALICA had capital and surplus as follows: (millions)

Capital	**Surplus**
$2.57	$80.72

16. As of December 31, 1999 ALIAC had capital and surplus as follows: (millions)

Capital	**Surplus**
$2.75	$842.2

17. As of December 31, 1999 and December 31, 1998, ING America reported the following consolidated balance sheet and income statement accounts on a GAAP basis (millions):

	December 31, 1999	December 31, 1998
Assets	$42,912.3	$35,689.9
Liabilities	39,370.0	31,506.7
Stockholder's equity	3,542.3	3,996.0
Net income (loss)	63.3	554.1
Premiums revenue	700.2	634.0

(Ex. 3 F-5)

18. As of December 31, 1999 and December 31, 1998, ING Groep, N.V. reported the following consolidated balance sheet and income statement accounts on a US GAAP basis (millions):

	December 31, 1999	December 31, 1998
Assets	$509,676.0	$417,411.0
Liabilities (includes minority interests)	469,302.0	380,197.0
Shareholder's equity	40,374.0	37,214.0
Net income (loss)	3,790.0	2,347.0
Premiums revenue	21,615.0	19,686.0

(Ex. 3 B-2)

19. As of December 31, 1999 and December 31, 1998, ALICA reported the following consolidated balance sheet and income statement accounts (millions):

	December 31, 1999	December 31, 1998

Assets (includes separate accounts)	$2,370.5	$1,650.7
Liabilities (includes separate accounts)	2,287.2	1,574.6
Capital & Surplus	83.3	76.1
Net income (loss)	7.9	(6.7)
Premiums	1,103.1	770.2

(Ex. 3 B-5)

20. As of December 31, 1999 and December 31, 1998, ALIAC reported the following consolidated balance sheet and income statement accounts (millions):

	December 31, 1999	December 31, 1998
Assets (includes separate accounts)	$50,825.3	$41,401.3
Liabilities (includes separate accounts)	49,980.4	40,628.2
Capital & Surplus	844.9	772.9
Net income (loss)	133.9	148.1
Premiums	7,838.9	6,299.8

(Ex. 3 B-7)

21. ING's principal subsidiaries are ING Verzekeringen N.V. and ING Bank N.V., through which the group conducts its insurance and banking operations, respectively. Based on gross written premiums in 1999, ING is the largest insurer in the Netherlands and, at the end of 1999, ING Bank N.V. was the third largest bank in the Netherlands. In addition, ING conducts insurance activities in 26 nations and offers corporate and investment banking services through 350 offices in 60 countries. (Ex. 3)

In the United States, ING has been engaged in life and non-life insurance business, primarily through its wholly-owned subsidiaries, Equitable American Insurance Company and Equitable Life Insurance Company of Iowa, each domiciled in Iowa; USF Annuity & Life

Company, domiciled in Oklahoma; Ameribest Life Insurance Company, domiciled in Illinois; Golden American Life Insurance Company, domiciled in Delaware; First Columbine Life Insurance Company and Security Life of Denver Insurance Company, each domiciled in Colorado; Life Insurance Company of Georgia, domiciled in Georgia; Midwestern United Life Insurance Company, domiciled in Indiana; First Golden American Life Insurance Company of New York and First ING Life Insurance Company of New York, each domiciled in New York; and United Life & Annuity Insurance Company and the Southland Life Insurance Company, each domiciled in Texas. (Ex. 3)

22. ING closed its acquisition of ReliaStar Financial Corp. on Sept. 1, 2000. (Tr. 62) With that acquisition, ING also has added the following insurers to its U.S. insurance operations: ReliaStar Life Insurance Company of New York, domiciled in New York; Security-Connecticut Life Insurance Company and ReliaStar Life Insurance Company, each domiciled in Minnesota; and Northern Life Insurance Company, domiciled in Washington. (Ex. 3) Mr. Cunningham testified that the integration of ReliaStar is well underway, and that Aetna representatives joined several of the integration teams after the announcement of the captioned transaction. (Tr. 62-63)

23. Applicant and Aetna have initiated a series of discussions regarding post-merger integration issues in various areas, including but not limited to, branding and corporate image, investment functions, legal and compliance issues, back office administration and product

marketing. (Ex. 6) Mr. Cunningham testified that it is expected that the integration of the Domestic Insurers will take one to two years. (Tr. 63)

24. ING's U.S.-based insurance subsidiaries, including the subsidiaries of recently acquired ReliaStar Financial Corp., had premium income of approximately $8.2 billion and total assets of approximately $39 billion in 1999. (Ex. 3) Mr. Hubbell testified that in the United States, ING focuses on fixed and variable life insurance, fixed and variable annuities and asset management services. (Tr. 23)

25. ING America is the holding company that oversees all of ING's North American and South American insurance activities. (Ex. 3) Merger Sub was formed solely for the purpose of effecting the merger, and conducts no operations. (Ex. 3)

26. Upon the effective time of the merger, the Agreement calls for Merger Sub to be merged with and into Aetna, which will be the surviving company. (Ex. 3) Aetna will simultaneously change its name to Lion Connecticut Holdings, Inc. ("Lion Connecticut"). (Ex. 6, Tr. 15) The charter and by-laws of the Domestic Insurers as currently in effect will remain unchanged, and the Certificate and by-laws of Merger Sub as in effect immediately prior to the effective time of the merger will be the certificate and by-laws of the surviving company. (Ex. 3)

27. Aetna U.S. Healthcare will own the Aetna name, and will permit ING America, pursuant to a license agreement, to use the Aetna name, only in connection with the acquired

business, for a transition period of three years. (Tr. 40) After 18 months, ING America may use the Aetna name only in connection with the ING brand. (Id.)

28. Following the merger, the Domestic Insurers will continue their current operations in the present corporate form as part of ING's North American insurance activities. (Ex. 3)

29. The Applicant has no plans or proposals to declare an extraordinary dividend or make other distributions, liquidate the Domestic Insurers, sell their assets or merge them with any person or persons, to make any other materiel change in their business operations or corporate structure or management or to cause the Domestic Insurers to enter into material contracts, agreements, arrangements, understandings or transactions of any kind with any party other than interaffiliate agreements for the provision of specified services subject to Connecticut's Insurance Holding Company Act, Conn. Gen. Stat. Section 38a-129 et seq. (Ex. 3) The Applicant has also stated that following consummation of the merger, it may review its business to determine whether operational or other changes would be advisable. (Ex. 3) Any such change will be subject to appropriate regulatory approval.

30. The Applicant has no plans to discontinue any products currently offered by the Domestic Insurers or to relocate any of the operations of the Domestic Insurers, or plans or proposals (including change of ownership or control) for any of the affiliates of the Applicant or the Domestic Insurers which may have a material affect on the Domestic Insurers. (Ex. 3) Mr.

Cunningham testified that the Applicant expects the benefit of the transaction will be on the revenue side. (Tr. 32)

31. The proposed directors of Lion Connecticut are R. Glenn Hilliard, Michael W. Cunningham, Mark Tullis and B. Scott Burton. (Ex. 6, Tr. 19) The proposed officers of Lion Connecticut are:

R. Glenn Hilliard	Chairman and President
Michael W. Cunningham	Executive Vice President and Treasurer
Mark Tullis	Executive Vice President
B. Scott Burton	Secretary

(Ex. 6)

32. The directors of ING America are R. Glenn Hilliard, Chairman; John Turner, Vice Chairman; Carolyn H. Baldwin; Richard U. DeSchutter; Roger P. Forrestal; Caryle L. Greer; James L. Heskett; Fred S. Hubbell; Richard S. Ingrahm Jr.; Randy C. James; Lynn H. Johnson; Alexander Rinnooy Kan; Richard L. Knowlton; Robert E. Lee; Michael Shannon and Joseph H. Young. (Ex. 6 2-1) The officers of ING America are:

R. Glenn Hilliard	Chairman & Chief Executive Officer
Michael W. Cunningham	Executive Vice President & Chief Financial Officer
Keith Gubbay	Executive Vice President, Corporate Development
P. Randall Lowery	Executive Vice President, Chief Actuary

Mark Tullis	Executive Vice President & General Manager, Strategy and Operations
Boyd C. Combs	Senior Vice President & Director of Taxes
David C. Goodwill	Senior Vice President, Human Resources
William D. Tyler	Senior Vice President & Chief Information Officer
David S. Pendergrass	Vice President & Treasurer
Ed Spelier	Corporate Secretary & Chief Administrative Officer
John R. Barmeyer	Legal Counsel & Assistant Secretary
B. Scott Burton	Assistant Secretary

(Ex. 6 2-1)

33. The Executive Board[2] of the Applicant consists of:

Godfried van der Lugt	Chairman
Edwal Kist	Vice Chairman
Hessel Lindenburgh	Member
Cees Maas	Member, Chief Financial Officer
Alexander Rinnooy Kan	Member
Fred Hubbel	Member
David Robbins	Member

(Ex. 3 D-1)

34. Following the merger, incumbent officers of the Domestic Insurers will remain as officers of those companies; including Thomas P. McInerney, president of ALIAC, and John Y. Kim, senior vice president and chief investment officer of ALIAC, who will remain in senior management positions. (Ex. 3, Tr. 33) The Applicant has not yet determined who will serve on the boards of directors of the Domestic Insurers. (Tr. 51)

35. The biographical affidavits of the Executive Board of the Applicant, the officers and directors of ING America and the proposed officers and directors of Lion Connecticut, which include each individual's educational background, professional credentials, and employment history, are included in the record. The information contained in the biographical affidavits attests to the competence, experience and integrity of the individuals who are expected to ultimately manage the Domestic Insurers.

36. Mr. Hubbell testified that ING has a decentralized management structure, and its corporate philosophy has been to permit local control of its subsidiaries, with general oversight from its home office in Amsterdam. (Tr. 23-24)

37. Mr. Cunningham testified that the books and records of the Domestic Insurers will be maintained in Connecticut pursuant to Connecticut law. (Tr. 94)

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[2] The Executive Board of a Dutch company is the equivalent of both a board of directors and the executive officers of a U.S. company. (Ex. 5)

38. Mr. Cunningham testified that ING America uses Bank of New York as custodian of its assets, and stated that if changes are proposed for the Domestic Insurers, that regulatory approval will be sought. (Tr. 95)

39. Mr. Cunningham testified that the Domestic Insurers will continue to be adequately capitalized pursuant to risk-based capital requirements. (Tr. 87-88)

40. Mr. Cunningham confirmed that the surplus of the Domestic Insurers will continue to bear a reasonable relationship to their liabilities based on the type, volume and nature of their business. (Tr. 88)

41. For deposit-type funds, ALICA and ALIAC combined had $266.63 million in direct premiums written in Connecticut in 1999, for a market share of 4.33%, while ING and ReliaStar combined had $144.2 million in direct premiums written in Connecticut and a market share of 2.34%. (Ex. 3 H-1) The top insurer by direct premium in that period was CIGNA Group, with $1.35 billion in direct premiums written and a market share of 22.01%. (Id.)

42. For Life Insurance, Annuity Considerations and Accident and Health Insurance, ALICA and ALIAC combined had $17.26 million in direct premiums written in Connecticut in 1999, for a market share of 0.88%, while ING and ReliaStar combined had $74.67 million and a market share of 3.8%. (Ex. 3 H-1) The top insurer for Life Insurance, Annuity Considerations

and Accident and Health Insurance in that period was Metropolitan Life and its affiliates, with $193.82 million in direct premiums written and a market share of 9.88%. (Id.)

43. The combined direct premium premiums written in Connecticut for deposit-type funds of the Domestic Insurers, ING and ReliaStar in 1999 were $410.84 million, which would be a market share of 6.68% if the companies had been merged for that year. (Ex. 3 H-3) This would have made the combined companies third in rank based on direct premiums written in Connecticut, behind CIGNA Group with $1.35 billion in direct premiums written and a market share of 22.01%; and Citigroup, with $684.35 million in direct premiums written and a market share of 11.13%. (Id.)

44. The Applicant provided the Department with a competitive impact analysis based on the Herfindahl-Hirschman Index ("HHI") used by the U.S. Department of Justice ("DOJ") in its Horizontal Merger Guidelines[3], which analysis is part of the record. (Ex. 3, H-1,2 and 3) For deposit-type funds, based on 1999 premium levels, the merger would increase the HHI score from 812.8235 to 833.1891, both scores below the 1,000 level that DOJ considers to be an unconcentrated market and unlikely to have an adverse competitive impact. (Ex. 3)

[3] DOJ considers an HHI score below 1,000 to be unconcentrated, a market with a score between 1,000 and 1,800 to be moderately concentrated and a market with a score greater than 1,800 to be highly concentrated. DOJ guidelines provide that mergers resulting in unconcentrated markets are unlikely to have adverse competitive affects. (Ex. 3)

45. The Federal Trade Commission ("FTC") and DOJ notified ING on Sept. 25, 2000 that it may proceed with the transaction without waiting for expiration of the 30-day waiting period under the Hart-Scott-Rodino antitrust laws. (Tr. 17)

46. Debt ratings for ING by major rating organizations include: Moody's, senior unsecured debt Aa2, (High Quality), subordinate debt, Aa3 (High Quality); and Standard & Poors, LT foreign issuer credit, AA- (Very Strong), LT local issuer credit, AA- (Very Strong); foreign issuer credit, A-1+ (Strong); and ST local issuer credit, A+ (Strong). (Supplemental filing dated Oct. 6, 2000)

47. ING's insurance operations have claims paying ratings of Aa2 (Excellent) from Moody's, AA+ (Very Strong) from Standard & Poors, AAA from Duff & Phelps and A+ (Superior) from A.M. Best. (Tr. 31)

48. ALIAC currently has a claims paying rating of Aa3 from Moody's, AA- (Very Strong) from Standard & Poors and A (Excellent) from A.M. Best. (Tr. 89) Mr. Smith testified that ALIAC has been put on a positive ratings outlook by the ratings agencies, and that preliminary discussions with the rating agencies indicated that ALIAC's ratings would mirror ING's U.S. subsidiaries. (Tr. 89-90) ALICA is not currently rated. (Id.)

Findings of Fact related to the public interest

49. On September 28, 2000, R. Glenn Hilliard, Chairman and Chief Executive Officer of ING North America Insurance Corporation, filed a letter with the Insurance Commissioner ("the Commitment Letter") which acknowledged that, in reviewing the Form A Application, the Insurance Commissioner has an obligation to ensure that the Transaction is in the public interest, namely, the interest of the citizens of the State of Connecticut. The purpose of Mr. Hilliard's letter was to provide the Insurance Commissioner with ING's formal commitment to the State of Connecticut and the people of the State of Connecticut after the combination of the ING businesses with the Domestic Insurers, including those businesses commonly referred to as "Aetna Financial Services" and "Aetna International". (Ex. 15).

50. Pursuant to the Commitment Letter and the testimony of Messrs. Barmeyer and Hubbell, ING agrees that the principal offices of the Qualified Plan Operations of the Domestic Insurers will remain at the Tower Building at 151 Farmington Avenue, Hartford, Connecticut, where there will be a meaningful executive presence and where significant operational activities will be maintained. The Qualified Plan Operations are those operations providing products and services relating to Internal Revenue Code section 401(k) plans, tax-sheltered annuities regulated by I.R.C. section 403(b), and those plans governed by I.R.C. section 457. Such operations currently employ 2,200 employees and will continue to be managed by the current president of Aetna Financial Services. While the agreements memorializing the Transaction contain a three-year commitment to maintain Aetna's Qualified Plan Operations in Hartford following the effective date of the Merger, (Ex. 3 A section 6.22), ING fully expects that such operations will grow and remain in Hartford for the foreseeable future. Indeed, at the consummation of the

Transaction, ING will also have entered into a seven-year lease (with two five-year renewal options) of the Tower Building facilities. (Ex. 15, Tr. 107)

51. Pursuant to the Commitment Letter and testimony, ING expects that most, if not all, of the newly merged Domestic Insurers' jobs that are presently in Connecticut, approximately 2,678, will remain in Connecticut, with the exception of certain international business functions affecting approximately 100 positions, which will not be headquartered in Hartford and will be integrated over time into ING's international businesses throughout the world following the consummation of the Merger. (Ex.6, 15).

52. Pursuant to the Commitment Letter, the projected profile of the approximate total number of positions is summarized as follows:

> Executive positions (annual salaries above $200,000): approximately 38 positions with total compensation of approximately $19.33 million.
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> Other Management and Professional Positions (annual salaries between $125,000 and $200,000): approximately 109 positions with total compensation of approximately $25.88 million.
>
> Other Exempt Positions: approximately 1,664 positions with total compensation of approximately $123.67 million.
>
> Non-Exempt Positions: approximately 1,401 positions with total compensation of approximately $45.52 million.

The total number of positions is approximately 3,212 with total compensation expenditure of approximately $214.41 million. Of these total positions, approximately 2,678 are located in Connecticut. (Ex. 15)

53. Pursuant to the Commitment Letter, as the Transaction integration proceeds, the level of staffing required to maintain the financial integrity and profitable growth of the Domestic Insurers may need to be adjusted upward or downward. However, ING's commitment reflects an intent to cause the Connecticut Companies to maintain their current employment levels in and around Hartford, less normal attrition for the next three years. Further, pursuant to the Commitment Letter and testimony, ING views the Domestic Insurers as an expanding business and will take all necessary efforts to replace personnel lost through attrition that are needed for the continued growth and profitability of the business. (Ex. 15, Tr. 107)

54. Pursuant to the Commitment Letter and testimony, ING promises that the headquarters for the Aeltus mutual fund complex will remain in its present location for the foreseeable future and its employment base should be at least present levels. ING anticipates Aeltus will continue to profitably grow and will staff it accordingly. (Ex. 15, Tr. 108)

55. Pursuant to the Commitment Letter and testimony, ING promises that various operational functions of the Domestic Insurers will also remain in Hartford following the effective date of the Merger at their approximate current levels to support all of the Hartford-based businesses and employees. These operational functions include, but are not limited to, customer service operations, human resources, legal, compliance operations and local community affairs. (Ex. 15, Tr. 108-109)

56. Pursuant to the Commitment Letter and testimony, under the terms of the agreements governing the Transaction, ING is responsible for the obligations to (i) current retired tied agents of Aetna Financial Services; (ii) current Aetna International foreign national retirees; and (iii) future retirees from the businesses being purchased (except as provided in (ii) below. Aetna U.S. Healthcare is responsible for the obligations to (i) all current retirees (other than as addressed above), (ii) all current employees that are currently eligible to receive post-retirement coverage under existing health and welfare plans, and (iii) all future Aetna U.S. Healthcare retirees. ING has no current plan to change any benefits. (Ex. 15, Tr. 110)

57. Pursuant to the Commitment Letter and testimony, ING promises that it will ensure that the current approximate level of Connecticut charitable giving by the Domestic Insurers will be maintained subsequent to the consummation of the Merger. Additionally, ING encourages its employees to contribute to United Way (through matching contributions as well as other supportive efforts) and other community efforts. (Ex. 15, Tr. 108)

58. During 2000, the Aetna Foundation and its Corporate Public Involvement Department ("CPI") made grants totaling $4.0 million. Of this amount, $2.9 million was given to Hartford-based organizations. Though the charitable contributions by the Aetna Foundation and CPI are generally made on behalf of all of the Aetna businesses, the funding for such contributions was made by Aetna, Inc. and not by the individual businesses. (Ex. 18)

59. During 1999, the Aetna Foundation and CPI made grants totaling $4.5 million. (Ex. 17).

60. ING has determined, after review of the current and proposed level of support the businesses represented by the Domestic Insurers provided to local organizations, that it will continue to support contributions in line with the historic giving of these businesses. ING expects the Domestic Insurers to contribute approximately $1 million in 2001 to Connecticut based organizations, including the annual portion of the multi-year contributions Aetna Financial Services has pledged to the University of Connecticut and Bushnell. In making this commitment, ING has noted that as a standard of measure, the commitment will provide approximately $400 per employee in annual charitable giving, a level that puts the Domestic Insurers at what it believes to be the high end of the scale for Connecticut-based companies. (Exhibit 19).

61. Based on the testimony of the Applicant, the ING acquisition of control of the Domestic Insurers will have no material effect on existing programs and policies in place at the companies to promote diversity. (Tr. 118)

62. The public interest benefits by the mentioned commitments made by ING and set forth in Findings of Fact Number 49 through 61.

I. DISCUSSION

Conn. Gen. Stat. section 38a-132(b) specifically requires the approval of the proposed acquisition of control of the Domestic Insurers unless it is determined that:

A. After the change of control, the Domestic Insurers would not be able to satisfy the requirements for issuance of a license to write the lines of business for which they are presently licensed.

B. The effect of the merger or other acquisition of control would be to substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut.

C. The financial condition of the acquiring party is such as might jeopardize the financial stability of the Domestic Insurers or prejudice the interests of the policyholders.

D. The plans or proposal which the acquiring party has to liquidate the Domestic Insurers, sell their assets or consolidate or merge them with any person, or make any other material change in their business or corporate structure or management, are unfair and unreasonable to policyholders of the Domestic Insurers and not in the public interest.

E. The competence, experience and integrity of those persons who would control the operation of the Domestic Insurers are such that it would not be in the interest of the Domestic Insurers and of the public to permit the merger or other acquisition of control.

F. The acquisition of control of the Domestic Insurers is likely to be hazardous or prejudicial to those buying insurance.

A. The Domestic Insurers' ability to satisfy the requirements for the issuance of a license to write the line or lines of business for which they are presently licensed following the proposed acquisition of control.

ALIAC is currently licensed pursuant to Conn. Gen. Stat. section 38a-41 for accident and health, life non-participating, variable life non-participating, variable annuities and reinsurance. ALICA is licensed for accident and health, life non-participating, life participating, variable life non-participating, variable life participating and variable annuities. Conn. Gen. Stat. section 38a-72(a) and (b) requires that a domestic stock life and health insurance company writing those lines must have a minimum of $1 million in capital and $2 million in paid-in surplus.

Both of the Domestic Insurers currently satisfy the requirements for the issuance of a license to write the lines of business for which they are licensed. As of December 31, 1999, the Domestic Insures had capital and surplus substantially exceeding the minimum requirements necessary for the issuance of a license to write the lines of business for which they are currently licensed. Specifically, ALICA had capital of $2.57 million and paid-in surplus of $80.72 million; and ALIAC had capital of $2.75 million and paid-in surplus of $842.2 million.

It is not anticipated that the capital and surplus levels of the Domestic Insurers will be significantly affected by the transaction.

Following consummation of the proposed acquisition of control of the Domestic Insurers, ING has no plans or proposals to declare an extraordinary dividend or make other distributions, liquidate the Domestic Insurers, to sell their assets or merge or to consolidate the Domestic Insurers with any other person or entity. There are no plans for the Domestic Insurers to enter into any material contracts, agreements, or transactions with any person or entity, with the exception of possible interaffiliate agreements for the provision of specified services subject to Connecticut's Insurance Company Holding Act, Conn. Gen. Stat. section 38a-129 et seq.

In addition to the criteria set forth in Conn. Gen. Stat. Section 38a-72, the Insurance Department considers the following criteria when evaluating an insurance company's ability to maintain a license issued pursuant to Conn. Gen. Stat. Section 38a-41 to write insurance in Connecticut: (1) the location of the companies' books, records and assets; (2) whether there is a reasonable relationship of the company's surplus funds to liabilities based on the type, volume and nature of insurance business transacted; (3) the management of the company; and (4) whether the company's risk based capital as related to total adjusted capital is adequate for the types of business transacted.

Mr. Cunningham testified that the books and records will be maintained in Connecticut. He testified that there will be no change in the custodian of assets without first obtaining prior regulatory approval.

He also testified that ING will keep the Domestic Insurers adequately capitalized pursuant to Risk Based Capital requirements. In addition, he confirmed that the surplus funds of the Domestic Insurers will continue to bear a reasonable relationship to their liabilities based on the type, volume and nature of their business.

Finally, as more thoroughly discussed below, it is expected that officers of the Domestic Insurers will remain, and management of Lion Connecticut, ING America and ING will be comprised of individuals with considerable experience in the insurance industry.

Accordingly, it is concluded that the evidence contained in the record supports a finding that the Domestic Insurers will be able to continue to satisfy the requirements for issuance of a license to write the lines of business for which they are presently licensed following the proposed acquisition of control of the Domestic Insurers.

B. The effect of the proposed acquisition of control on competition in Connecticut

Based on information contained in the competitive impact analysis incorporated into the Form A, the acquisition will not substantially lessen competition in insurance in this state or tend to create a monopoly in Connecticut.

For deposit-type funds, the combined market share in Connecticut for ING, ReliaStar and the Domestic Insurers based on 1999 direct premiums would have been 6.68%, which would make the combined company third in rank for that line of business in this state if the companies had merged in that year, behind CIGNA Group and Citigroup with market shares of 22.01% and 11.13% respectively.

For Life Insurance, Annuity Considerations and Accident and Health Insurance, the Domestic Insurers' market share in Connecticut was rather small, 0.88%, while the market share for ING and ReliaStar combined was 3.8%. Thus, in those lines of business, the impact on competition would be negligible.

Further, the Applicants provided an analysis based on the HHI scores used by the DOJ in its Horizontal Merger Guidelines. The DOJ considers an HHI score below 1,000 to be unconcentrated, and the analysis shows that the merger would increase the HHI score in

Connecticut from 812.8235 to 833.1891. DOJ guidelines provide that mergers resulting in unconcentrated markets are unlikely to have adverse competitive affects.

Also, the FTC and DOJ notified the Applicant in September that it may proceed with the transaction without waiting for expiration of the 30-day waiting period under the Hart-Scott-Rodino Antitrust Improvement Act, 15 U.S.C. section 18. Under the act and its implementing regulations, 16 C.F.R. Part 801 et seq., proposed acquisitions of stock or assets having a market value in excess of $15 million by a company having annual or net sales or total assets of $100 million or more must, with certain exceptions, be reported to the DOJ and FTC. Based on the notification terminating the waiting period, the application is deemed to have been accepted with no finding that the proposed transaction will substantially lessen competition or create a monopoly.

Based on the review of market share information, the HHI score index and the notification by the FTC and DOJ terminating the Hart-Scott-Rodino waiting period, the undersigned concludes that the effect of the acquisition of control of the Domestic Insurers will not substantially lessen competition in Connecticut or tend to create a monopoly in this state.

C. The Financial Condition of ING

Substantial evidence in the record indicates that the financial condition of ING will not jeopardize the financial condition of the Domestic Insurers.

As of December 31, 1999, ING America reported, on a GAAP basis, assets of $42.91 billion; liabilities of $39.37 billion and stockholder’s equity of $3.54 billion. As of December 31, 1999, ING Groep, N.V. reported, on a GAAP basis, assets of $509.67 billion; liabilities of $469.3 billion and shareholders' equity of $40.37 billion.

ING's insurance operations have claims-paying ratings of Aa2 (Excellent) from Moody's, AA+ (Very Strong) from Standard & Poors, AAA from Duff & Phelps and A+ (Superior) from A.M. Best.

ALIAC has a claims paying rating of AA- (Very Strong) from Standard & Poors, Aa3 (Excellent) from Moody's and A (Excellent) from A.M. Best. Mr. Smith testified that the effect of ALIAC's rating as a result of the proposed transaction is that it has been put on a positive ratings outlook by rating agencies, and preliminary discussions with the ratings agencies indicates that ALIAC's ratings will mirror ING's slightly superior ratings. ALICA is not currently rated.

The financial statements of ING and ING America demonstrate the financial strength of the acquiring party. The undersigned concludes that there is no evidence contained in the record that the financial condition of ING is such as might jeopardize the financial condition of the Domestic Insurers or prejudice the interests of policyholders.

D. Plans or Proposals for the Domestic Insurers

The record reveals that ING has no plans or proposals to cause either of the Domestic Insurers to declare any extraordinary dividend, to liquidate any of the Domestic Insurers, to sell their assets or to consolidate or merge them with any other entity. There are also no plans to cause either of the Domestic Insurers to enter into any material contract, agreement, arrangement or transactions of any kind, with the exception of interaffiliate agreements for the provision of specified services.

ING has no plans to discontinue any products currently offered by the Domestic Insurers. The Domestic Insurers are expected to be operated by incumbent management, including Messrs. McInerney and Kim.

As respects policyholders, Mr. Hubbell testified that policyholders of the Domestic Insurers would ultimately have access to other ING products, which include insurance, investment and banking services. He also said that policyholders will benefit from ING's access to capital markets, including specifically its plans for significant investment in technology, which he testified will have the benefit of allowing more rapid response to customer inquiries.

The Domestic Insurers (along with Aetna U.S. HealthCare, which is not being acquired) are an important part of the fabric of Connecticut. The Applicant has made certain specific commitments related to the public interest of the State of Connecticut and the Hartford community. Those commitments, discussed in Findings of Fact Number 49 through 61**,** are (1) that the principal offices of the Qualified Plan Operations[4] of the Domestic Insurers will remain at the Tower building at 151 Farmington Avenue, Hartford, Connecticut, where there will be a meaningful executive presence and where significant operational activities will be maintained; (2) that most, if not all, of the newly merged Domestic Insurers' jobs that are presently in Connecticut will remain in Connecticut, with the exception of certain international business functions affecting approximately 100 positions; (3) that ING intends to cause the Domestic

Insurers to maintain their current employment levels in and around Hartford, less normal attrition, for the next three years; (4) the headquarters for the Aeltus mutual fund complex will remain in its present location for the foreseeable future and its employment base should be at least present levels; (5) operational functions of the Domestic Insurers, including but not limited to customer service operations, human resources, legal, compliance operations and local community affairs, will remain in Hartford following the effective date of the merger at their current employment levels; (6) ING has no plans to change any retirement benefits and is responsible for retirement obligations to (a) current retired tied agents of Aetna Financial Services, (b) current Aetna International foreign national retirees and (c) future retirees from the businesses being purchased except that Aetna U.S. Healthcare is responsible for obligations to all future Aetna U.S. Healthcare retirees; (7) ING promises that the current approximate level of Connecticut charitable giving by the Domestic Insurers will be maintained after consummation of the merger; (8) for 2001, ING expects the Domestic Insurers to contribute approximately $1 million (approximately $400 per employee) to Connecticut based charities, including the annual portion of the multi-year contributions Aetna Financial Services has pledged to The Bushnell and the University of Connecticut; and (9) the ING acquisition of control will have no material effect on existing programs and policies at the Domestic Insurers to promote workplace diversity. (These commitments are hereinafter "the Public Interest Commitments.")

In its agreement with Aetna, ING has committed to maintain the Qualified Plan Operations in the Tower Building in Hartford for at least three years following consummation of

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[4] The Qualified Plan Operations are those operations providing products and services relating to Internal Revenue Code section 401(k) plans, tax-sheltered annuities regulated by I.R.C. Code

the merger. ING has also has signed a seven-year lease, with two five-year renewal options, for the Tower Building.

The Applicant also stated that it views the Domestic Insurers as an expanding business and will take all necessary efforts to replace personnel lost through attrition that are needed for the continued growth and profitability of the business.

Accordingly, it is found that there are no plans or proposals for the Domestic Insurers that are unfair and unreasonable to their policyholders, or which are not in the public interest.

E. The Competence, Experience and Integrity of Those Persons Who Would Control the Operations of the Domestic Insurers

The record includes the biographical affidavits of those individuals who serve on as Executive Board members of ING; officers and directors of ING America; as well as the proposed directors and officers of Lion Connecticut. The affidavits disclose each individual's educational background, professional credentials and employment history. The information attests to the competence, experience and integrity of those individuals. Further, no Executive Board member of ING, director or officer of ING America or proposed director or officer of Lion Connecticut has had a revocation, suspension or disciplinary proceeding brought against him or her by a governmental agency.

There was testimony in the record and representations in the Form A application that incumbent managers of the Domestic Insurers will remain, including Messrs. McInerney and Kim, president and senior vice president respectively of ALIAC.

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section 403(b) and those plans governed by I.R.C. Code section 457.

None of the information contains information that reflects negatively on any of the individuals.

The record also reflects that the parent corporations have great experience in the financial services area generally, and insurance specifically. ING conducts insurance activities in 26 nations and corporate and investment banking services in 60 nations. ING’s U.S. based insurance subsidiaries had premium income of approximately $8.2 billion and total assets of approximately $39 billion in 1999.

Accordingly, it is concluded that the competence, experience and integrity of those persons would control the operations of the Domestic Insurers are such that the proposed change of control would be in the interests of policyholders and in the public interest.

F. The Effect of the Proposed Acquisition of Control of the Domestic Insurers on Those Buying Insurance

Based on the financial strength of ING and ING America and the testimony that the Appplicant has no plans to discontinue any products currently offered by the Domestic Insurers, it is reasonable to conclude that the proposed acquisition of control of the Domestic Insurers is not likely to be hazardous to those buying insurance. The Applicant has also stated that customers of the Domestic Insurer will ultimately have access to other products offered by ING.

Conn. Agencies Regs. section 38a-8-103 sets forth Standards of Hazardous Financial Condition. Those standards, either singularly or in combination of two or more, may be considered by the Insurance Commissioner to determine whether the continued operations of any insurer transacting an insurance business in this state might be deemed hazardous to the policyholders, creditors or the general public. Of the 16 standards set forth in the regulation, none apply to the Domestic Insurers, and the proposed acquisition of control should have no impact on those standards.

Accordingly, it is concluded that the proposed acquisition of control of the Domestic Insurers is not likely to be hazardous to those buying insurance.

IV. CONCLUSION AND RECOMMENDATION

Based on the foregoing findings of fact and discussion, information contained in the Form A application and supplemental material submitted by the Applicant, and the record of the October 3, 2000 public hearing which was held open until October 6, 2000, the undersigned concludes that ING has satisfied the statutory criteria as set forth in Conn. Gen. Sat. section 38a-132(b). Accordingly, the undersigned concludes that after the proposed acquisition of control (a) the Domestic Insurers will be able to satisfy the requirements for the issuance of a license to write the lines of business for which they are presently licensed; (b) the effect of the acquisition of control will not substantially lessen competition of insurance in this state or tend to create a monopoly in Connecticut; (c) the financial condition of the acquiring party is not such as might jeopardize the financial stability of the Domestic Insurers or prejudice the interest of their policyholders; (d) the plans or proposals which the acquiring party has to liquidate the Domestic Insurers, sell their assets or consolidate or merge them with any person, or make any other material change in their business or corporate structure or management, are not unfair and unreasonable to policyholders of the Domestic Insurers and are not contrary to the public interest; (e) the competence, experience and integrity of those persons who would control the operation of the Domestic Insurers is such that it would be in the interest of the Domestic Insurers and of the public to permit the acquisition of control; and (f) the acquisition of control of the Domestic Insurers is not likely to be hazardous or prejudicial to those buying insurance.

Accordingly, the undersigned recommends the following orders, TO WIT:

1. The Application of ING Groep, N.V., in which it seeks approval to acquire control of Aetna Life Insurance Company of America and Aetna Life Insurance and Annuity Company, each wholly owned subsidiaries of Aetna, Inc., is hereby approved.

2. The Applicant and the Domestic Insurers shall comply with the Public Interest Commitments as defined in the Proposed Final Decision.

3. For a period of three years, the Domestic Insurers and ING America shall file semiannually with the Insurance Department, commencing six months from consummation of the transaction, a report under oath of their business operations in Connecticut, including, but not limited to, changes to the business of the Domestic Insurers; employment levels and payroll totals; changes in officers or directors of the Domestic Insurers; any changes in location of its operations in Connecticut; and charitable contributions.

4. ING shall provide the Insurance Department with immediate written confirmation of the consummation of the acquisition of control of the Domestic Insurers.

5. No later than 15 days after the end of the month in which the proposed acquisition of control is consummated, the Domestic Insurers shall file an amended Insurance Holding Company System Annual Registration Statement pursuant to Conn. Agencies Regs. section 38a-138-10.

6. That if the Proposed Transaction is not consummated within three months of the date of this order, the Applicant shall submit a statement under oath stating (a) whether the Applicant still intends to consummate the Proposed Acquisition; (b) the reason for the Applicant's inability to consummate the Proposed Acquisition within such three-month time period; (c) any material changes in the information contained in the Form

Annual Registration Statement pursuant to Conn. Agencies Regs. section 38a-138-10.

6. That if the Proposed Transaction is not consummated within three months of the date of this order, the Applicant shall submit a statement under oath stating (a) whether the Applicant still intends to consummate the Proposed Acquisition; (b) the reason for the Applicant's inability to consummate the Proposed Acquisition within such three-month time period; (c) any material changes in the information contained in the Form A Statement; and (d) the current financial statements of the Applicant and the Domestic Insurers.

7. The requirements for the financial examination and market conduct examinations stated in Conn. Gen. Stat. Section 38a-136(i)(1) are waived, but the Applicant and the Domestic Insurers shall comply with Conn. Gen. Stat. section 38a-136(i)(2).

8. The Domestic Insurers shall, at all times, maintain their original books and records in Connecticut.

9. ING shall pay expenses incurred by the Insurance Commissioner in connection with the Insurance Department's review of the captioned transaction pursuant to Conn. Gen. Stat. sections 38a-132(a)(3) and 38a-132(c).

Dated at Hartford, Connecticut, this 30th day of October 2000.

Mark R. Franklin
Hearing Officer