

STATE OF NEW JERSEY
DEPARTMENT OF BANKING AND INSURANCE

IN THE MATTER OF THE ACQUISITION)	
OF CONTROL SUPERIOR VISION)	HEARING OFFICER'S
OF NEW JERSEY BY METLIFE, INC.)	REPORT

Procedural History

In accordance with N.J.S.A. 17:27A-2, by a filing dated September 29, 2020, as supplemented through December 23, 2020, MetLife, Inc. (“MetLife” or “the applicant”) filed with the Department of Banking and Insurance (“the Department”) an application to acquire control (“the Form A filing”) of Superior Vision of New Jersey (“Superior” or “the Company”), a New Jersey Licensed Organized Delivery System (“ODS”)¹.

MetLife proposes to acquire control of Superior Vision of New Jersey (“the Domestic Entity”) by way of a merger pursuant to an Agreement and Plan of Merger dated September 16, 2020 (“Merger Agreement”), by and among Versant Health, Inc. (“Versant Health”). MetLife, Veranda Merger Sub Inc., a wholly owned subsidiary of MetLife, Inc. (“Merger Sub”), and Centerbridge Advisors Fund II, LLC, solely in its capacity as the representative for the Securityholders². As a result, following the completion of the transactions contemplated by the

¹ Pursuant to N.J.S.A. 17:48H-16(a) and N.J.A.C. 11:22-4.10, a licensed ODS organized under the laws of the State of New Jersey is treated as a domestic insurer for purposes of the Insurance Holding Company Systems Act, N.J.S.A. 17:27A-1 to -14.

² Per Merger Agreement “Securityholder” a Stockholder or a holder of an Option. Per Merger Agreement “Option” means each option to purchase one share of Common Stock that is granted under the Stock Plan. Per Merger Agreement “Stockholder” means a holder of Common Stock, as of the time immediately prior to the Effective Time. The Merger shall become effective at such time as the Certificate of Merger is duly filed with the Secretary of State of the State of Delaware or at such other time as Parent and the Company shall agree and specify in the Certificate of Merger (“the Effective Time”).

Merger Agreement, MetLife³ will become the ultimate controlling entity of Superior, an indirect wholly-owned subsidiary of Versant Health, as described in detail below.

Pursuant to N.J.S.A. 17:27A-2(d) and after notice was provided in papers of general circulation and on the Department's website, a public hearing was held on the Form A filing on December 23, 2020. Pursuant to N.J.A.C. 11:1-35.6(g), the public hearing was conducted based on the documents filed. The hearing panel and Department staff determined that the documents filed in connection with the proposed acquisition satisfied the requirements of N.J.S.A. 17:27A-2(b). Public comments were allowed to be submitted to the Department through the close of business on December 23, 2020, and no comments were received. The record was closed on December 23, 2020.

Findings of Fact

Superior is wholly-owned by Superior Vision Benefit Management, Inc., which is wholly-owned by Block Vision Holdings Corporation ("BVHC"). BVHC is a wholly-owned subsidiary of Versant Health Consolidations Corp. a wholly-owned subsidiary of Versant Health Holdco,

³ A Disclaimer of Control filing ("the Disclaimer") dated October 6, 2020 was submitted by the MetLife Policyholder Trust ("the Trust") and Wilmington Trust Company, not in its individual capacity, but solely as trustee for the Trust ("the Trustee") in connection with the Form A filing, which disclosed that as of July 31, 2020, the Trust held 137,996,320 MetLife Common Shares, which constituted 15.2% of the outstanding MetLife Common Shares. N.J.S.A. 17:27A-1(c) defines "control" as "the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract other than a commercial contract for goods or nonmanagement services, or otherwise, unless the power is the result of an official position with or corporate office held by the person." Further, control is presumed to exist if "any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of any other person." This presumption may be rebutted by a showing made in the manner provided by N.J.S.A. 17:27A-3(j) that control does not exist in fact. Upon review of the Disclaimer, the Department agreed that neither the Trust nor the Trustee possess or will possess "control" over MetLife and the Domestic Insurer, and the Disclaimer was deemed approved.

Inc. Versant Health wholly-owns Versant Health Holdco, Inc. Superior was incorporated on March 17, 1993 and licensed as an ODS in New Jersey on September 15, 2006.

MetLife is a publicly traded company whose common stock trades on the New York Stock Exchange. MetLife operates multiple businesses through subsidiary companies. In the United States, MetLife provides a variety of insurance and financial services products, including life, dental, disability, property and casualty, guaranteed interest, stable value, and annuities to both individuals and groups. Outside the United States, MetLife provides life, medical, dental, credit and other accident and health insurance, as well as annuities, endowment and retirement and savings products, to both individuals and groups.

Pursuant to the terms of the Merger Agreement, dated September 16, 2020, included as a part of the Form A Filing, MetLife proposes to acquire control of Superior subject to the conditions set forth in the Merger Agreement, by way of merger between Merger Sub with and into Versant Health (“the Merger”), with Versant Health surviving the merger as a wholly-owned subsidiary of MetLife. Following the transactions contemplated by the Merger Agreement, MetLife will become the ultimate controlling entity of Superior.

The consideration for the transaction will be as described below. The base purchase price payable by MetLife for the Common Stock⁴ will be an amount equal to \$1,675,000,000 in cash (“the Base Consideration”). The Base Consideration, as adjusted in accordance with Section 2.8 of the Merger Agreement (“the Closing Merger Consideration”), will be payable at the Closing as set forth in Section 3.2 of the Merger Agreement. The Closing Merger Consideration will be subject to an adjustment after the Closing as set forth in Sections 2.9 and 2.10 of the Merger

⁴ Per Merger Agreement “Common Stock” means the Company’s Class A Voting Common Stock, par value \$0.01 per share (the “Voting Common Shares”) and Class B Non-Voting Common Stock, par value \$0.01 per share.

Agreement (the total consideration paid pursuant to Section 2.8, as adjusted pursuant to Sections 2.9 and 2.10 of the Merger Agreement, “the Final Merger Consideration”). A portion of the Closing Merger Consideration will be funded into an escrow and governed by Article II of the Merger Agreement. MetLife states that it has existing cash on hand to fund the entirety of the Final Merger Consideration. The closing of the transaction as contemplated by the Merger Agreement (“the Closing”) is not subject to any financing contingency.

Except as may arise in the ordinary course of business or as otherwise described in the Form A filing, MetLife states it has no present plans or proposals to cause the Company to declare an extraordinary dividend, to liquidate the Company, to sell the Company's assets to or merge it with any person or persons or to make any other material change in the Company's business operations or corporate structure or management. Immediately following the Closing, the Company will continue to maintain its separate corporate existence, operate as a stand-alone business and, except as otherwise further noted in the Form A Statement, continue its operations as currently conducted.

MetLife further noted that, after the consummation of the Merger and in the ordinary course of business, it may evaluate the Company's investments, operations, products and services and determine that changes are necessary or advisable. Subject to applicable State insurance regulatory requirements, including those under New Jersey law, MetLife may make any further changes that it deems necessary or advisable in light of such evaluation or future developments.

Based on the consolidated financial statements filed by the applicant, MetLife had shareholders' equity of approximately \$66.1 billion in 2019, \$52.7 billion in 2018, and \$ 58.6 billion in 2017. MetLife reported a net income of \$5.9 billion in 2019, and \$5.1 billion in 2018.

Analysis

N.J.S.A. 17:27A-2(d)(1) provides that the Commissioner shall approve an acquisition of control of a domestic insurer unless he or she finds that one or more of the seven disqualifying factors set forth therein exist. The statute provides in pertinent part:

(1) The Commissioner shall approve any merger or other acquisition of control ... unless, after a public departmental hearing thereon, he [or she] finds that:

(i) After the change of control the domestic insurer ... would not 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;

(ii) The effect of the merger or other acquisition of control would be substantially to lessen competition in insurance in this State or tend to create a monopoly therein ... [applying the competitive standard as set forth in the statute];

(iii) The financial condition of any acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders;

(iv) The financial condition of any acquiring party is such that (a) the acquiring party has not been financially solvent on a generally accepted accounting principles basis, or if an insurer, on a statutory accounting basis, for the most recent three fiscal years immediately prior to the date of the proposed acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); (b) the acquiring party has not generated net before-tax profits from its normal business operations for the latest two fiscal years immediately prior to the date of acquisition (or for the whole of such lesser period as such acquiring party and any predecessors thereof shall have been in existence); or (c) the acquisition debt of the acquiring party exceeds 50% of the purchase price of the insurer;

(v) The plans or proposals which the acquiring party has to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest;

(vi) The competence, experience and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; or

(vii) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.

Upon a thorough review of the documents submitted into evidence, the hearing panel and Department staff have determined that none of the seven disqualifying factors set forth above should result if the proposed acquisition is effectuated. Each of these conditions is discussed below.

First, after the acquisition, the Company will continue to meet the requirements to transact the business for which it is presently licensed pursuant to Title 17 of the New Jersey Statutes. Superior was incorporated on March 17, 1993 and licensed as an ODS in New Jersey on September 15, 2006. There is nothing in the record to indicate that after the proposed transaction the Company would not be able to continue to satisfy the requirements to transact the business for which they are presently licensed.

Second, it does not appear that the proposed transaction will substantially lessen competition in the New Jersey insurance market or tend to create a monopoly therein. N.J.S.A. 17:27A-2(d)(1)(ii) provides that in applying this competitive standard, the standard set forth in N.J.S.A. 17:27A-4.1(d) shall apply. That statute utilizes a complex formula based on the market shares of the insurers involved in the transaction. The statute by its terms does not apply if, as an immediate result of the acquisition, there would be no increase in the overall market share of the involved insurers after the acquisition. See N.J.S.A. 17:27A-4.1(b)(2)(d). Here, MetLife and its subsidiaries and the Company and its affiliates do not transact the same lines of insurance in this State. Thus, there would be no increase post-acquisition in the market share of the insurers in the

New Jersey insurance market. Accordingly, the proposed transaction will not violate the competitive standard set forth in N.J.S.A. 17:27A-4.1 because it does not substantially lessen competition in New Jersey or tend to create a monopoly therein.

Third, it does not appear that the financial condition of the applicant will jeopardize the financial condition of the Company. As reported in the applicable financial statements filed by the applicants, the applicants had shareholders' equity of approximately \$66.1 billion in 2019, \$52.7 billion in 2018, and \$58.6 billion in 2017.

Fourth, it appears that the financial condition of the applicant is such that it has been solvent on a basis of generally accepted accounting principles for the three-year period immediately prior to the date of the proposed acquisition. The applicants reported a net income of \$5.9 billion in 2019, and \$5.1 billion in 2018. Further, no debt will be incurred by the applicant in connection with the acquisition. Accordingly, because no debt will be incurred by the applicant in connection with the acquisition, the requirement that the acquisition debt may not exceed 50 percent of the purchase price is satisfied.

Fifth, the applicant does not propose to liquidate the Company or sell its assets. As set forth above, the applicant does not intend to change the business operations, corporate structure, management, or general plan of operations other than may arise in the ordinary course of business. Immediately following the Closing, the Company will continue to maintain its separate corporate existence, operate as a stand-alone business and continue its operations as currently conducted.

Sixth, there is nothing in the record from which it may be concluded that the competence, experience, and integrity of the persons who will control the operations of the Company are such that it would not be in the best interest of the policyholders and of the public to permit the acquisition of control. Following the transaction, the applicant intends to maintain the Company's

business operations, corporate structure, and management. Following the transaction, the Company will continue to maintain its separate corporate existence, and there are no anticipated changes to the Company's Board of Directors or executive officers.

Seventh, there is nothing in the record from which it may be concluded that the proposed transaction is likely to be hazardous or prejudicial to the insurance buying public for the reasons set forth above.

Recommendation

Based on the foregoing analysis, the hearing panel and Department staff recommend that the proposed transaction be approved.

Upon a thorough review of the foregoing, I concur with the findings, analysis and recommendations of the hearing panel and Department staff. I therefore recommend that the proposed transaction be approved.

12/23/2020
Date

s/ Lynn Certo
Lynn Certo
Hearing Officer

Exhibits List

IN THE MATTER OF THE ACQUISITION OF CONTROL OF SUPERIOR VISION OF NEW
JERSEY INC., by METLIFE, INC.

Exhibit 1 – Form A application dated September 29, 2020

Exhibit 2 – Response to request for information dated December 17, 2020

Exhibit 3 – Waiver of 20–day notice of hearing submitted by Stephanie Dobecki, Esq. for the Applicant

Exhibit 4 – Waiver of 20–day notice of hearing submitted by Cynthia Borrelli, Esq. for Superior Vision of New Jersey, Inc.

Exhibit 5 – Affidavit of Publication of Notice of Hearing in The Record, reflecting publication on December 16, 2020

Exhibit 6 – Affidavit of Publication of Notice of Hearing in Courier Post, reflecting publication on December 16, 2020

Exhibit 7 – Affidavit of Publication of Notice of Hearing in Star Ledger, reflecting publication on December 16, 2020