

**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
DIVISION OF FINANCIAL REGULATION**

**BEFORE THE DIRECTOR  
OF THE DEPARTMENT OF CONSUMER AND BUSINESS SERVICES**

In the Matter of the Proposed Plan of Acquisition of )	Findings of Fact, Conclusions of
Control of Standard Insurance Company and )	Law and Order
StanCap Insurance Company Inc., )	
Portland, Oregon, by Meiji Yasuda Life Insurance )	Case No. 15-11-024
Company of Tokyo Japan and MYL Investments of )	
Delaware. )	

**INTRODUCTION**

On September 3, 2015, Meiji Yasuda Life Insurance Company (“MYLIC”), and MYL Investments (Delaware) Inc. (“MYL”), a Delaware corporation and direct wholly owned subsidiary of MYLIC, (“MYL” and together with MYLIC, the “Applicants”) filed with the Oregon Department of Consumer and Business Services, Division of Financial Regulation, formerly the Insurance Division, (“DFR”) a Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer to acquire control of Standard Insurance Company, an Oregon life insurance company (the “Domestic Insurer”), and StanCap Insurance Company, Inc., an Oregon domestic captive insurance company (the “Domestic Captive”) as required by ORS 732.517 through 732.546 (as supplemented, the “Form A”). The filing fee required under OAR 836-009-0007(12) was received by the DFR on September 10, 2015. The acquisition described in the filing (the “activity” or the “Proposed Acquisition”) is an activity described in ORS 732.521(1). The Proposed Acquisition is a consequence of a proposed merger (the “Merger”) of a wholly owned subsidiary of MYLIC with StanCorp Financial Group, Inc. (“StanCorp,” or “the Company”). The Applicants, the Domestic Insurer, the Domestic

Captive, and StanCorp are the parties to the Proposed Acquisition (each a “Party” and collectively the “Parties”).

Upon the filing of the Form A, the DFR engaged Alvarez and Marsal (“A&M”) as a financial adviser and Morgan, Lewis & Bockius LLP (“MLB”) as legal advisers. Each of A&M and MLB provided both written and verbal advice to the Division in connection with the Proposed Acquisition.

Notice of a public hearing was issued on October 20, 2015 and a public hearing on the Form A was held on November 16, 2015. A public comment period was open from October 20, 2015 to December 15, 2015. The Form A and public comments were posted on the DFR’s web site.

The following Findings of Fact are made in reliance on the Form A, papers subsequently filed by the Applicants in support of the Form A, the testimony taken at the public hearing, public comments, and the reports and other advice provided by A&M and MLB.

#### FINDINGS OF FACT

(1) The Domestic Insurer was incorporated in Oregon on January 1, 1906 as a for-profit corporation that received its Certificate of Authority as a life insurer on April 12, 1906, as Oregon Life Insurance Company. On August 28, 1929, the Domestic Insurer changed to a Mutual Company and changed its name to Oregon Mutual Life Insurance Company. Effective February 7, 1946, the Domestic Insurer changed its name to Standard Insurance Company. On April 20, 1999, the Domestic Insurer converted from a Mutual Company to a Stock company, as approved by order of the Director under its plan of reorganization.

(2) The Domestic Captive was authorized as a Captive Insurance Company on June 4, 2014. The Domestic Captive is a wholly owned subsidiary of StanCorp.

(3) StanCorp is a publically traded Oregon corporation. StanCorp owns 100% of the outstanding shares of Standard Insurance Company, and is the ultimate controlling party of the Domestic Insurer and Domestic Captive. Its common stock is publicly traded on the NYSE under the ticker symbol "SFG."

(4) Standard Life Insurance Company of New York ("SLICNY") is a New York domestic life insurance company. StanCorp owns 100% of the outstanding shares of SLICNY, and is the ultimate controlling party.

(5) MYLIC is a Japanese domiciled life insurance company. MYLIC was created by the combination of Meiji Life Insurance Company and Yasuda Mutual Life Insurance Company in 2004. MYLIC subsidiaries and affiliates offer life insurance in several countries and several states, including Alaska, Arizona, California, Oregon and Washington.

(6) In 1976, MYLIC entered the US market through its acquisition of Pacific Guardian Life Insurance Company, Limited ("Pacific"), a Hawaii domiciled life insurance company. Pacific has a Certificate of Authority in Oregon as a life and health insurance company.

(7) The Merger Sub is a Delaware corporation and direct wholly owned subsidiary of MYLIC. The Merger Sub was formed as an acquisition vehicle for the purpose of effecting the acquisition of StanCorp by MYLIC. The Merger Sub has not conducted any activities other than those incidental to its formation and the matters contemplated by the

Agreement and Plan of Merger, dated as of July 23, 2015, by and among MYLIC, the Merger Sub and StanCorp (the “Merger Agreement”).

(8) MYLIC proposes to acquire control of the Domestic Insurer and the Domestic Captive through the Merger, pursuant to the terms and conditions of the Merger Agreement.

(9) Subject to the terms and conditions set forth in the Merger Agreement, Merger Sub will merge with and into StanCorp (the “Merger”), with StanCorp continuing as the surviving corporation in the Merger. Upon the consummation of the Merger, StanCorp will be a direct wholly owned subsidiary of MYLIC.

(10) StanCorp will remain the sole direct shareholder of the Domestic Insurer and the Domestic Captive following the Proposed Acquisition. The Proposed Acquisition does not provide Merger Consideration to the stockholder of the Domestic Insurer or Domestic Captive.

(11) The Merger is valued at approximately \$5.0 billion in cash based on the number of outstanding shares of stock of StanCorp as of July 22, 2015. The Merger has been approved by the Boards of Directors of MYLIC and StanCorp and their respective shareholders.

(12) At the effective time of the Merger, each share of StanCorp common stock, that is issued and outstanding immediately prior to the effective time of the Merger (excluding any shares held by StanCorp in treasury, any shares held, directly or indirectly, by MYLIC, by Merger Sub and any shares that are outstanding immediately prior to the effective time of the Merger) will be converted to the right to receive the merger consideration (the “Merger Consideration”), which will consist of \$115.00 in cash per

share. The Merger Consideration will be paid in connection with the Merger and there will be no additional consideration paid.

(13) StanCorp's Board of Directors retained Goldman Sachs Group, Inc. to render an opinion as to the fairness of the Merger Consideration, from a financial point of view, to the StanCorp stockholders, and Goldman Sachs rendered such an opinion.

(14) At the effective time of the Merger, (i) each outstanding stock option to purchase shares of StanCorp common stock will be converted into a right to receive cash at the effective time of the Merger; (ii) in addition, outstanding stock options, restricted stock units awards, performance share awards, amounts contributed to purchase shares under the Company's Employee Share Purchase Plan, and annual director stock grants will be converted into the right to receive the Per Share Merger Consideration, subject to certain adjustments, as set forth in further detail in the Merger Agreement.

(15) Following consummation of the Merger, MYLIC will own 100% of StanCorp. MYLIC's current Chairman, President and CEO will remain Chairman, President and CEO after the completion of the Merger. As a result, MYLIC's Board and management will be in control of StanCorp after the Merger.

(16) The basis and terms of the Merger Agreement, including the nature and amount of consideration, were determined through arms' length negotiations among the representatives of the Applicants, on the one hand, and the representatives of StanCorp, on the other hand, and their respective legal and other advisors.

(17) MYLIC is providing cash from funds available to the company for the Merger Consideration to be paid to the StanCorp stockholders. In particular, no assets or stock of

StanCorp, the Domestic Insurer, Domestic Captive or of any person controlled by StanCorp will be pledged or otherwise offered as security for any financing.

(18) The Applicants have no present plans or proposals to cause the Domestic Insurer or Domestic Captive to declare an extraordinary dividend, liquidate the Domestic Insurer or Domestic Captive, sell any of the Domestic Insurer's or Domestic Captive's assets (other than in ordinary course), or to merge the Domestic Insurer or Domestic Captive with any person or persons or to make any other material change in the Domestic Insurer's or Domestic Captive's corporate structure, business operations or management. Following the consummation of the Proposed Acquisition, the Domestic Insurer and Domestic Captive will each continue to maintain its separate corporate existence.

(19) MYLIC's current intention is to continue the business of the Domestic Insurer and Domestic Captive without any material modification to the Domestic Insurer's and Domestic Captive's existing plan of operations. No changes are currently planned to the leadership, employees, contracts or affiliation agreements of the Domestic Insurer or Domestic Captive. MYLIC will continue to evaluate the quality and effectiveness of the ongoing operations of the Domestic Insurer. If as a result of its integration analysis following the closing MYLIC determines that changes or new agreements are desirable, any required filings will be made with the DFR.

(20) On the basis of the findings of fact above, the Director of the Department of Consumer and Business Services of the State of Oregon (the "Director") enters the following:

## CONCLUSIONS OF LAW

1. The Form A is properly supported by the required documents and meets the requirements of the Oregon Insurance Code for approval with respect to acquisitions and mergers pursuant to ORS 732.517 to 732.546.
2. The Director finds that there is no evidence that:
  - (a) The activity is contrary to law or would result in a prohibited combination of risks or classes of insurance.

The acquisition of control of the Domestic Insurer and Domestic Captive by the Applicants is permitted by ORS 732.517 to 732.546.

- (b) The activity is inequitable or unfair to the policyholders or shareholders of any insurer involved in, or to any other person affected by, the proposed activity.

The Domestic Insurer and Domestic Captive are the insurers involved in the proposed activity. The activity is not inequitable or unfair to the policyholders or shareholders of the Domestic Insurer or Domestic Captive or to any other person affected by the proposed activity. A subsidiary of MYLIC will merge with and into StanCorp and StanCorp's existing shares of common stock will be converted into the right to receive the Merger Consideration. The Proposed Acquisition does not provide Merger Consideration to the Domestic Insurer or the Domestic Captive. The policyholders of MYLIC and shareholders of StanCorp have already voted in favor of the Merger, and the Boards of Directors of each of MYLIC and StanCorp have received fairness opinions. The Division has investigated the merger consideration. Based upon the aggregate price for the common stock of StanCorp to be paid by MYLIC, which on a per share basis exceeds the price of StanCorp common stock on the day prior to the public announcement by roughly 50%, the Division considers the consideration for the StanCorp common stock to not be inequitable or unfair to the policyholders or shareholders. As stated in the Form A, immediately following the Proposed Acquisition, MYLIC indicates that it fully intends to continue the business of the Domestic Insurer and Domestic Captive without any material changes or modifications to the Domestic Insurer's or Domestic Captive's current operations. Correspondingly, the policyholders of the Domestic Insurer and Domestic Captive can expect to receive the same level of service as prior to the Proposed Acquisition as no material changes are anticipated with respect to the products or services which they receive from the Domestic Insurer and Domestic Captive.

- (c) The activity would substantially reduce the security of and service to be rendered to policyholders of any domestic insurer involved in the proposed

activity, or would otherwise prejudice the interests of such policyholders in this state or elsewhere.

The activity will not substantially reduce the security of and service to be rendered to policyholders of the Domestic Insurer or Domestic Captive or otherwise prejudice the interests of such policyholders in this state or elsewhere.

(d) The activity provides for a foreign or alien insurer to be an acquiring party, and the insurer cannot satisfy the requirements of this state for transacting an insurance business involving the classes of insurance affected by the activity.

The Proposed Acquisition does provide for an alien insurer to be an acquiring party. An actuarial review of MYLIC was completed, and the analysis did not conclude that MYLIC would be unable to satisfy the requirements for transacting life insurance in Oregon.

(e) The activity or its consummation would substantially diminish competition in insurance in this state or tend to create a monopoly.

Based on the Form E filed by the Applicants as a companion filing to the Form A, the immediate result of the Proposed Acquisition will not exceed the safe harbor exemptions set forth in Section 732.537(3) (d) of the Oregon Insurance Code for any line of insurance business in the State of Oregon. As set forth in the Form E, the only line of business written in Oregon by the Domestic Insurer, Domestic Captive and Pacific is Ordinary Life Insurance line of business. The combined market share for this line of business would not represent an increase which would exceed any of the safe harbor exemptions under the Oregon Insurance Code. Accordingly, this Acquisition will not substantially diminish competition of insurance in this state or another state or tend to create a monopoly.

(f) After the change of control or ownership, the domestic insurer to which the activity applies would not be able to satisfy the requirements for the issuance of a certificate of authority to transact the line or lines of insurance for which the insurer is currently authorized.

The Domestic Insurer and Domestic Captive will be adequately capitalized to transact the lines of business for which they are authorized in Oregon. See ORS 731.554 and 735.162.

(g) The financial condition of any acquiring party might jeopardize the financial stability of the insurer.

The Acquisition by MYLIC will not jeopardize the financial stability of the Domestic Insurer or Domestic Captive.

(h) The plans or proposals that 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 the insurer's business or corporate structure or management, are unfair and unreasonable to policyholders of the insurer and not in the public interest.

Following the Proposed Acquisition, MYLIC has no current plans to liquidate the Domestic Insurer or Domestic Captive, sell their assets or consolidate or merge them with any person, or to make any other material change in their business or corporate structure or management.

(i) 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 activity or its consummation.

There is nothing in the Division's investigation that suggested that the competence, experience and integrity of those persons who will control the operations of the Domestic Insurer and Domestic Captive will be contrary to the interest of the policyholders of the Domestic Insurer and Domestic Captive or the public.

(j) The activity or its consummation is likely to be hazardous or prejudicial to the insurance-buying public.

There is nothing to suggest that the Proposed Acquisition will be hazardous or prejudicial to the insurance-buying public.

(k) The activity is subject to other material and reasonable objections.

After considering all comments, the division finds that there are no material or reasonable objections to the Proposed Acquisition.

## ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, it is hereby ordered that:

- 1) The acquisition of control of the Domestic Insurer by the Applicants is hereby approved;
- 2) MYLIC shall notify the Division within five days of the approval or disapproval by the New York Department of Financial Services (NYDFS) of the Form A pending before the NYDFS;
- 3) MYLIC shall notify the Division within five days of the approval or disapproval of the activity by the Financial Services Agency of Japan;
- 4) MYLIC shall notify the Division within five days of the approval or disapproval of the activity by the Securities and Exchange Commission of the United States of America;
- 5) MYLIC shall provide the Division with a definitive set of the final closing documents within 30 days of the closing of the Merger;
- 6) MYLIC shall provide notice of any decision by MYLIC to relocate the headquarters of the Domestic Insurer at least three business days prior to the announcement of such a decision;
- 7) MYLIC shall advise the Division if the Proposed Acquisition does not close within ninety days of the date hereof;
- 8) MYLIC shall cause to be paid the fees of any actuaries, accountants and other experts not otherwise a part of the Division's staff that the Division incurred in connection with the Proposed Acquisition;

- 9) Within thirty days of the closing of the Proposed Acquisition, MYLIC shall cause to be filed an amended holding company act statement.
- 10) MYLIC shall submit an enterprise risk report under ORS 732.569 each year during which MYLIC controls the Domestic Insurer and an acknowledgment that the MYLIC and all subsidiaries in the insurance holding company system that are within MYLIC's control will provide, at the Director's request, information the Director needs to evaluate enterprise risk to the Domestic Insurer.
- 11) The effective date of closing the Proposed Acquisition shall be no sooner than sixty days after the date of this Order.

DATED this 6<sup>th</sup> day of January, 2016.



LAURA N. CALI  
Oregon Insurance Commissioner  
Administrator Division of Financial  
Regulation

#### NOTICE

Pursuant to ORS 732.528 (6), any insurer or other Party to the proposed activity, including the Domestic Insurer, within 60 days after receipt of a notice of approval or disapproval, may appeal the final order of the Director as provided in ORS 183.310 to 183.550. For purposes of the judicial review the specifications required to be set forth in the written notice from the Director will be deemed the findings of fact and conclusions of law of the DFR.