

**BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA**

In Re: : Pursuant to Sections 1401, 1402, and  
: 1403 of the Insurance Holding  
Application of Dental Service of : Companies Act, Article XIV of the  
Massachusetts, Inc. in Support of the : Insurance Company Law of 1921, Act of  
Request for Approval to Acquire Control : May 17, 1921, P.L. 682, as amended, 40  
of Significa Insurance Group, Inc. : P.S. §§991.1401, 991.1402, and 991.1403  
: :  
: Order No. ID-RC-13-14

DECISION AND ORDER

AND NOW, on this 12 day of September, 2013, Michael F. Consedine, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

**Identity of Involved Parties**

Identity of Insurer to be Acquired

1. Significa Insurance Group, Inc. (“Significa”) is a domestic stock life insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wilkes-Barre, Pennsylvania.
2. Hospital Service Association of Northeastern Pennsylvania (“HSA”) is a domestic non-profit hospital plan corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Wilkes-Barre, Pennsylvania. Significa is a direct wholly-owned subsidiary of HSA.

Identity of Applicant and Certain Affiliates

3. DentaQuest USA Insurance Company, Inc. (“DQ USA”) is a stock life insurance company organized pursuant to the laws of the State of Texas with its principal

place of business located in Boston, Massachusetts.

4. DentaQuest, LLC (“DQ LLC”) is a limited liability company organized pursuant to the laws of the State of Delaware with its principal place of business located in Boston, Massachusetts. DQ USA is a direct wholly-owned subsidiary of DQ LLC.
5. Dental Service of Massachusetts, Inc. (“DSM”) is a non-profit dental service company organized pursuant to the laws of the Commonwealth of Massachusetts with its principal place of business located in Boston, Massachusetts. DQ LLC is an indirect wholly-owned subsidiary of DSM.
6. No person, directly or indirectly, controls 10% or more of the voting securities of DSM.

### **Acquisition Filing**

7. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Department for approval or disapproval.
8. On June 13, 2013, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is collectively referenced as “Application”) from DSM for approval to acquire control of Significa.
9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

### **Department Procedures**

10. On June 29, 2013, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by DSM and such notice invited interested persons to submit comments to the Department regarding the Application for 30 days following the date of the publication (“Comment Period”).
11. The Department received no comments regarding the Application during the Comment Period.

### **Description of the Proposed Acquisition**

12. As described in the Application, on May 8, 2013, HSA and DQ LLC entered into a Stock Purchase Agreement (“Agreement”).

13. As described in the Application and pursuant to the Agreement, DSM intends to indirectly acquire, through DQ USA, 100% of the issued and outstanding capital stock of Significa from HSA (“the Acquisition”).
14. As described in the Application, DQ USA would fund the entire purchase price from cash on hand.
15. As described in the Application, DSM would become the ultimate controlling person of Significa as a result of the Acquisition.

### **Quasi-Reorganization**

16. Section 320 of the Insurance Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §443, provides that unless otherwise provided by law, regulation or order of the Insurance Commissioner, each insurance company, association and exchange shall adhere to the annual or quarterly statement instructions and accounting practices and procedures manuals prescribed by the National Association of Insurance Commissioners (“NAIC AP&P”).
17. NAIC AP&P Statement of Statutory Accounting Principle 72 (“SSAP 72”), sets out criteria under which the restatement of gross paid-in and contributed surplus and unassigned funds (surplus) under a quasi-reorganization shall be permitted. Approval of the restatement by the Commissioner is one of the criteria.
18. Included within DSM’s Application was a request for Department approval for restatement of Significa upon Acquisition.
19. As described in the Application, upon Acquisition, Significa will have satisfied all other criteria necessary to permit the restatement.
20. The Department finds no reason to deny DSM’s request to approve the restatement.

### **Standards for Review**

21. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.

#### Licensing Requirements

22. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.

23. The lines of insurance for which an insurance company may be incorporated and become licensed to write are set out in Section 202 of the Insurance Company Law (40 P.S. §382).
24. The minimum paid up capital stock and paid in surplus required of a stock insurer for each line of insurance is set out in Section 206 of the Insurance Company Law (40 P.S. §386).
25. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), Significa is required to maintain a minimum paid up capital stock of \$1,100,000 and a minimum paid in surplus of \$550,000 to write the lines of insurance for which it is presently licensed.
26. As of June 30, 2013, Significa maintained the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.
27. Upon completion of the transaction, Significa will have the statutory minimum capitalization to satisfy the requirements to write the lines of insurance for which it is presently licensed.

#### Competitive Impact

28. The acquisition of control of Significa are subject to review and analysis under Section 1403 of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control would be to substantially lessen competition or tend to create a monopoly in the Commonwealth.
29. The acquisition of control of Significa will not lessen competition or tend to create a monopoly in the Commonwealth because DSM does not control any other insurance interests in the Commonwealth.

#### Financial Condition of Applicant

30. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the acquiring person(s).
31. The Department has reviewed the annual financial statement submitted by DSM as of 12/31/2012.
32. As of 12/31/2012, DSM reported:
  - a) Assets of approximately \$257 million
  - b) Liabilities of approximately \$85 million

- c) Surplus as Regards Policyholders of approximately \$173 million
33. The financial condition of DSM will not pose any impediments to the change in control nor jeopardize the financial condition of Significa.

Plans for the Acquired Insurer

34. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer to determine whether they are unfair or unreasonable and fail to confer benefit on policyholders of the insurer and are not in the public interest.
35. The Department did not find any material changes in the plans for the business, corporate structure or management of Significa after the acquisition that would be:
- a) unfair and unreasonable and fail to confer benefit on policyholders of Significa; and
  - b) not in the public interest.

Management

36. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer.
37. Biographical affidavits for all directors and executive officers of DSM were reviewed by the Department.
38. Biographical affidavits for proposed new directors and executive officers of Significa were also reviewed by the Department.
39. The Department is satisfied that the persons who would control the operations of Significa have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
40. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

## CONCLUSIONS OF LAW

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the change in control of Significa.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
  - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
  - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
  - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;
  - d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable and fail to confer benefit on policyholders of the insurer and not in the public interest;
  - e) 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 and the general public to permit the acquisition of control;
  - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public; or,
  - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control of Significa.
4. Under SSAP 72, the Commissioner has jurisdiction to review and approve a request for the restatement of gross paid-in and contributed surplus and

unassigned funds (surplus) under a quasi-reorganization of Significa.

5. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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ORDER

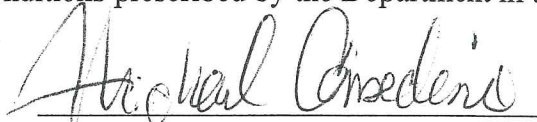
Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Dental Service of Massachusetts, Inc. (“DSM”) in support of the request for approval to acquire control of Significa Insurance Group, Inc. (“Significa”) as set forth in the Application, is hereby approved, subject to this Order and the following condition:

1. DSM shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
2. The request for restatement of gross paid-in and contributed surplus and unassigned funds (surplus) under a quasi-reorganization of Significa upon consummation of the subject transaction is hereby approved provided restatement shall not result in the unassigned funds (surplus) account being greater than zero or the gross paid-in and contributed surplus account being less than the minimum required by Section 206 of the Insurance Company Law (40 P.S. §386) immediately following the restatement.



This Order is effective immediately and valid for one (1) year, provided no material changes are made to the transaction prior to consummation. This one year limitation does not apply to any conditions prescribed by the Department in the Order.



Michael F. Consedine  
Insurance Commissioner  
Commonwealth of Pennsylvania

