

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Horizon Healthcare	:	Holding Companies Act, Article
Services, Inc. d/b/a Horizon Blue	:	XIV of the Insurance Company
Cross/Blue Shield of New Jersey	:	Law of 1921, Act of May 17, 1921,
Requesting Exemption from the	:	P.L. 682, <u>as amended</u> , 40 P.S.
Requirements of 40 P.S. §991.1402 for	:	§§991.1401, 991.1402, and
the Restructure of the Holding	:	991.1403
Company System Containing Horizon	:	
Healthcare Insurance Company of	:	
Pennsylvania	:	
	:	ID-RC-01-09

DECISION AND ORDER

AND NOW, on this 20th day of February, 2001, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania ("Deputy 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 Deputy Commissioner hereby makes the following findings of fact:

FINDINGS OF FACT

1. Horizon Healthcare Insurance Company of Pennsylvania ("HHICP") is a stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Philadelphia, Pennsylvania.

2. Horizon Healthcare Holding Company ("HHHC") is an insurance holding company organized pursuant to the laws of the state of Delaware with its principal place of business located in Newark, New Jersey. HHHC currently directly controls 100% of the issued and outstanding voting stock of HHICP.
3. Horizon Healthcare Dental Services, Inc. ("HHDS") is an insurance holding company organized pursuant to the laws of the state of New Jersey with its principal place of business located in Newark, New Jersey.
4. Enterprise Holding Company, Inc. ("Enterprise") is an insurance holding company organized pursuant to the laws of the state of New Jersey with its principal place of business located in Newark, New Jersey. Enterprise currently directly controls 100% of the issued and outstanding voting stock of HHDS.
5. Horizon Healthcare Services, Inc., d/b/a Horizon Blue Cross/Blue Shield of New Jersey ("BCBSNJ") is a not for profit health service corporation organized pursuant to the laws of the state of New Jersey with its principal place of business located in Newark, New Jersey. BCBSNJ directly controls 100% of the issued and outstanding voting stock of HHHC and Enterprise.
6. There are no entities holding 10% or more of the voting control of BCBSNJ.
7. BCBSNJ is the sole ultimate controlling person of HHICP.
8. On December 29, 2000, the Insurance Department of the Commonwealth of Pennsylvania ("Department") received an initial request (which together with all material received subsequently is collectively referenced as "Request") from BCBSNJ for approval to effectuate a corporate restructuring, which would result in a change in the chain of control within the holding company system of HHICP.
9. As described in the Request, the plan involves the transfer of the 100% of issued and outstanding stock of HHICP from HHHC to HHDS.
10. 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.

11. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
12. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction does not:
 - a) have the effect of changing or influencing the control of a domestic insurer, or
 - b) is otherwise not comprehended within the purposes of the section.
13. As described in the Request, HHHC would transfer the stock of HHICP in the form of a dividend to BCBSNJ.
14. As described in the Request, BCBSNJ would then transfer the stock of HHICP in the form of a capital contribution to Enterprise.
15. As described in the Request, Enterprise would then transfer the stock of HHICP as a capital contribution to HHDS.
16. As described in the Request, BCBSNJ would remain the sole ultimate controlling person of HHICP.
17. The Deputy Commissioner finds that the transaction described in the Request would not have the effect of changing in influencing the control of domestic insurer as described within Section 1402 of the Insurance Holding Companies Act.
18. 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 acquisition of

voting securities of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.

2. The Request satisfies the requirements of all applicable laws and regulations.
3. The restructure of the holding company system proposed in the Request does not have the effect of changing or influencing the control of a domestic insurer as described within the section and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
4. 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 Deputy Insurance Commissioner of the Commonwealth of Pennsylvania, hereby makes the following Order:

An approving determination for the request for approval of the restructure of the holding company system containing Horizon Healthcare Insurance Company of Pennsylvania in a transaction exempt from the requirements of 40 P.S. §991.1402(b), as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.


STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Regulation of Companies