

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402, and  
Application of Fortis, Inc. in Support of : 1403 of the Insurance Holding  
the Request for Approval to Acquire : Companies Act, Article XIV of the  
Control of United Dental Care of : Insurance Company Law of 1921,  
Pennsylvania, Inc. : Act of May 17, 1921, P.L. 682,  
: as amended, 40 P.S. §§991.1401,  
: 991.1402, and 991.1403  
: :  
: Order No. ID-RC-01-33

DECISION AND ORDER

AND NOW, on this 22<sup>nd</sup> day of October, 2001, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania ("Commissioner"), hereby makes the following Decision and Order:

Pursuant to the Insurance Company Law and the Insurance Holding Company 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 Parties

1. United Dental Care of Pennsylvania, Inc. ("UDC PA") is a risk assuming preferred provider organization that is not a licensed insurer ("RANLI PPO") organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Dallas, Texas.

2. Protective Life Corporation ("PLC") is a business corporation organized under the laws of Delaware, with its principal place of business located in Birmingham, Alabama. PLC indirectly holds 100% of the issued and outstanding voting stock of UDC PA.
3. Fortis, Inc. ("Fortis") is a business corporation organized under the laws of the state of Nevada with its principal place of business located in New York, New York.
4. Fortis (B) is a business corporation organized under the laws of Belgium with its principal place of business located in Brussels, Belgium. Fortis (B) indirectly holds 50% of the issued and outstanding voting stock of Fortis.
5. Fortis (NL) is a business corporation organized under the laws of Netherlands with its principal place of business located in Utrecht, Netherlands. Fortis (NL) indirectly holds 50% of the issued and outstanding voting stock of Fortis.
6. All person holding 10% or greater of the issued and outstanding voting stock of Fortis (B) and/or Fortis (NL) have properly filed disclaimers of control with the Insurance Department of the Commonwealth of Pennsylvania ("Department").
7. Fortis (B) and Fortis (NL) are the ultimate controlling persons of Fortis.

#### Acquisition Filing

8. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1992, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. ("Insurance Holding Companies Act"), provides that any transaction involving the control of a domestic RANLI PPO must be filed with the Commissioner for approval or disapproval.
9. On July 31, 2001, the Department received an initial application (which together with all material received subsequently is collectively referenced as "Application") from Fortis for approval to acquire control of UDC PA.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

### Department Procedures

11. On August 18, 2001, the Department published notice in the Pennsylvania Bulletin that the Application was submitted by Fortis and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty (30) day period, ending September 17, 2001.
12. The Department received no comments regarding the Application during the thirty (30) day comment period.

### Description of the Proposed Acquisition

13. As described in the Application, on July 9, 2001, PLC and Fortis (among others) signed a Stock and Asset Purchase Agreement ("Agreement") whereby Fortis would acquire 100% of the issued and outstanding voting stock of UDC PA, together with other companies and assets (the "Acquisition").
14. As described in the Application and pursuant to the Agreement, consummation of the Acquisition would result in Fortis indirectly holding 100% of the issued and outstanding voting stock of UDC PA.
15. As described in the Application and pursuant to the Agreement, PLC will receive a total of \$300,000 from the Acquisition for its interest in UDC PA.
16. As described in the Application, Fortis will fund the Acquisition from its existing corporate resources and no part of the purchase price will be obtained from borrowed funds.
17. As described in the Application, UDC PA will not be required to issue extraordinary dividends to support Fortis in the payment of interest or dividends resulting from the Acquisition.

### Standards for Review

18. 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 RANLI PPO.
19. The application for a change in control must be approved unless the Commissioner finds any one of certain enumerated conditions to be

present.

#### Licensing Requirements

20. 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 RANLI PPO being acquired.
21. Section 630 of the Insurance Company Law (40 P.S. §764a) provides the Commissioner shall determine that a preferred provider organization which assumes financial risk has adequate working capital.
22. Section 152.9 of Title 31, Insurance (Regulations), requires a RANLI PPO to maintain assets in excess of liabilities by at least the minimum capital and surplus required of a stock casualty insurer with accident and health powers.
23. In accordance with Section 206 of the Insurance Company Law (40 P.S. §386), UDC PA is required to maintain a minimum capital and surplus of \$1,125,000 to maintain licensure.
24. Upon completion of the transaction, UDC PA will have capital and surplus in an amount that will satisfy the statutory minimum required of a RANLI PPO.

#### Competitive Impact

25. The acquisition of control of UDC PA is 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.
26. The acquisition of control of UDC PA will not lessen competition or tend to create a monopoly in the Commonwealth because the market share of Fortis, as stated in the Application, does not exceed the market share levels established in Section 1403.

#### Financial Condition of Fortis

27. 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 persons.

28. Fortis reported December 31, 2000, audited GAAP account balances of:

|                       |                   |
|-----------------------|-------------------|
| Assets:               | \$ 23,792,898,000 |
| Liabilities:          | \$ 18,950,287,000 |
| Shareholder's Equity: | \$ 4,842,611,000  |

29. The financial condition of Fortis would not pose any impediments to the change in control nor jeopardize the financial condition of UDC PA.

Plans for the Acquired RANLI PPO

30. 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 RANLI PPO.
31. As provided in the Application, Fortis has disclosed that it intends to make no significant changes to the business plans of UDC PA.

Management

32. 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 RANLI PPO.
33. Biographical affidavits for all directors and executive officers of Fortis were provided as part of the Application and the Department reviewed all affidavits that were submitted.
34. The Department is satisfied that the persons who would control the operations of UDC PA have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
35. 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 Commissioner has jurisdiction to review and approve the change in control of UDC PA.
2. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner must approve an application for a change in control unless the Department has found that:
  - a) The RANLI PPO will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which it is 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 RANLI PPO or prejudice the interests of its policyholders;
  - d) Any plans to liquidate the RANLI PPO, 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 to policyholders of the RANLI PPO and not in the public interest;
  - e) The competence, experience and integrity of those persons who would control the operation of the RANLI PPO 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 UDC PA.

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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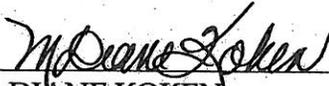
ORDER

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania hereby makes the following Order:

The application of Fortis, Inc.. ("Fortis") in support of the request for approval to acquire control of United Dental Care of Pennsylvania, Inc. is hereby approved, subject to this Order and the following condition:

Fortis shall provide copies of the closing documents to the Insurance Department within five (5) days of consummation of the subject transaction.

This Order is effective immediately and valid for one year, provided no material changes are made to the transaction prior to consummation.

  
M. DIANE KOKEN  
Insurance Commissioner  
Commonwealth of Pennsylvania

