

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Medco Health Solutions,	:	Holding Companies Act, Article
Inc. in Support of the Request for	:	XIV of the Insurance Company
Approval to Merge Medco Containment	:	Law of 1921, Act of May 17, 1921,
Insurance Company of New Jersey with	:	P.L. 682, <u>as amended</u> , 40 P.S.
and into Medco Containment Life	:	§§991.1401, 991.1402, and
Insurance Company in a Transaction	:	991.1403; Sections 1921 through
Exempt from the Requirements of 40 P.S.	:	1929 of the 1988 Business
§991.1402	:	Corporation Law, Act of
	:	December 21, 1988, P.L. 1444, No.
	:	177, <u>as amended</u> , 15 Pa. C.S.
	:	§§1921-1928; Sections 205 and 207
	:	of the GAA Amendments Act of
	:	1990, Act of December 19, 1990,
	:	P.L. 834, No. 198, <u>as amended</u> , 15
	:	P.S. §§21205 and 21207.
	:	
	:	Order No. ID-RC-06-48

DECISION AND ORDER

AND NOW, on this 26th day of December, 2006, 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, the 1988 Business Corporation Law and the GAA Amendments Act of 1990, 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

Identity of Entities

1. Medco Containment Insurance Company of New Jersey (“Medco NJ”) is a stock health insurance company organized under the laws of the state of New Jersey with its principal place of business in Franklin Lakes, New Jersey. Medco NJ is not an admitted insurer in Pennsylvania.
2. Medco Containment Life Insurance Company (“Medco PA”) is a stock life insurance company organized under the laws of the commonwealth of Pennsylvania with its principal place of business in Franklin Lakes, New Jersey. Medco PA is admitted in Pennsylvania and New Jersey.
3. Medco Health Solutions, Inc. (“Medco Health Solutions”) is an insurance holding company organized under the laws of the state of Delaware with its principal place of business in Franklin Lakes, New Jersey. Medco Health Solutions directly owns 100% of the issued and outstanding capital stock of Medco NJ and Medco PA.
4. Medco Health Solutions is the sole ultimate controlling person of Medco NJ and Medco PA.

Filing of the Application

5. 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 mergers or other acquisitions of control of domestic insurers must be filed with the Department for approval or disapproval.
6. Section 1402 (g) of the Insurance Holding Companies Act provides for exemption from the requirements of Section 1402:
 - a. if the merger does not have the effect of changing or influencing the control of a domestic insurer, or
 - b. if the transaction is otherwise not comprehended within the purposes of Section 1402.
7. The 1988 Business Corporation Law, Act of December 21, 1988, P.L. 1444, as amended, Sections 1921 through 1929, 15 Pa. C.S. §§1921 through 1929 (“1988 BCL”), and the GAA Amendments Act of 1990, P.L. 834, No. 198, as amended, 15 P.S. §§21205, 21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or

disapproval.

8. On December 1, 2006, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Medco Health Solutions requesting approval to merge Medco NJ with and into Medco PA, with Medco PA being the survivor.
9. The Application was filed with the Department pursuant to Section 1402(g) of the Insurance Holding Companies Act and Section 205 of the GAA Amendments Act.

The Transaction

10. Medco NJ and Medco PA executed an Agreement and Plan of Merger dated as of October 20, 2006, (“Merger Agreement”) which provides for Medco NJ to merge with and into Medco PA, with Medco PA being the surviving corporation.
11. As described in the Application, the Merger Agreement has been adopted by the Board of Directors of Medco PA on October 20, 2006, in satisfaction of the requirements of Section 1924(b) of the 1988 BCL.
12. As described in the Application, the Merger Agreement has been adopted by the sole shareholder of Medco PA on October 20, 2006.
13. As described in the Application, upon the effective date each share of common stock of Medco NJ issued and outstanding immediately prior to the effective date of the merger shall be surrendered and extinguished.
14. As described in the Application, upon the effective date each share of Medco PA common stock issued and outstanding immediately prior to the effective date shall be one share of the common stock of the surviving corporation, without the issuance or exchange of new shares or share certificates.
15. As described in the Application, at the effective date, the Articles of Incorporation and By-Laws of Medco PA in effect at the effective date, shall be the Articles of Incorporation and By-Laws of Medco PA after the merger.
16. As described in the Application, the members of the board of directors and the officers of Medco PA at the effective date shall be the members of the board of directors and the officers of Medco PA after the merger.
17. As described in the Application, Medco PA shall thenceforth be responsible and liable for all the liability and obligations of Medco NJ.

18. As described in the Application, upon completion of the proposed merger, Medco Health Solutions will remain the ultimate controlling persons of the surviving corporation, Medco PA.
19. 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 merger of Medco NJ and Medco PA.
2. Under Section 1402(g) of the Insurance Holding Companies Act, the Department shall exempt a merger from the requirements of Section 1402 if the merger does not have the effect of changing or influencing the control of a domestic insurer.
3. Pursuant to Section 1402(g) of the Insurance Holding Companies Act, the Deputy Commissioner concludes that the proposed merger does not change the ultimate controlling person of the parties to the merger and, therefore, is exempt from the requirements of the Insurance Holding Companies Act.
4. The Deputy Commissioner concludes that the preparation of the Merger Agreement, pertaining to the terms and conditions, satisfies the requirements of Section 1922 of the 1988 BCL.
5. The Deputy Commissioner concludes that the Merger Agreement satisfies the requirements of Section 1924 as it has been adopted by the sole shareholder of Medco PA and by the Board of Directors of Medco PA.
6. The Deputy Commissioner concludes that the Articles of Merger will satisfy the requirements of Section 1926 of the 1988 BCL.
7. The Deputy Commissioner concludes that the Merger Agreement will be effective upon proper filing of Articles of Merger with the Department of State pursuant to Sections 1927 and 1928 of the 1988 BCL.
8. The Deputy Commissioner concludes that, if the proposed merger is consummated, all the rights, privileges, immunities, powers and purposes of Medco NJ will be conveyed to the surviving entity, as a matter of law, pursuant to Section 1929 of the 1988 BCL.
9. Pursuant to Section 205(b) of the GAA Amendments Act, the Deputy Commissioner, concludes that the terms and conditions of the proposed merger are fair and that the proposed merger is in accordance with law and not injurious to the interests of the policyholders and creditors.

10. The Application satisfies the requirements of the Insurance Holding Companies Act, the 1988 BCL and the GAA Amendments Act.
11. 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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	:	P.S. §§21205 and 21207.
	:	
	:	Order No. ID-RC-06-48

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of Medco Health Solutions, Inc. requesting approval of the merger of Medco Containment Insurance Company of New Jersey with and into Medco Containment Life Insurance Company subject to the following condition:

A copy of the Articles of Merger shall be filed with the Deputy Commissioner not later than ten (10) days after their filing with the Pennsylvania Department of State.

This Order is effective immediately.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania