

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Peninsular Life Insurance	:	Holding Companies Act, Article
Company in Support of the Request for	:	XIV of the Insurance Company
Approval to Merge Significa Insurance	:	Law of 1921, Act of May 17, 1921,
Group, Inc. With and Into Peninsular	:	P.L. 682, <u>as amended</u> , 40 P.S.
Life Insurance Company With	:	§§991.1401, 991.1402, and
Peninsular Life Insurance Company	:	991.1403; Sections 1921 through
Being the Survivor in a Transaction	:	1929 of the 1988 Business
Exempt from the Requirements of 40	:	Corporation Law, Act of
P.S. §991.1402	:	December 21, 1988, P.L. 1444, No.
	:	177, <u>as amended</u> , 15 Pa. C.S.
	:	§§1921-1929; 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-07-09

DECISION AND ORDER

AND NOW, on this 1st day of May, 2007, 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. Peninsular Life Insurance Company (“Peninsular”) is a domestic stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Lancaster, Pennsylvania.
2. Universal Managed Care, Inc. (“Universal”) is a domestic business corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Wilkes-Barre, Pennsylvania. Peninsular is a wholly-owned subsidiary of Universal.
3. Significa Insurance Group, Inc. (“Significa”) is a domestic stock life insurance company organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Lancaster, Pennsylvania.
4. Hospital Service Association of Northeastern Pennsylvania d/b/a Blue Cross of Northeastern Pennsylvania (“BCNEPA”) is a Pennsylvania nonprofit health plan corporation which operates a hospital plan under the Health Plan Corporations Act. BCNEPA has its principal place of business in Wilkes-Barre, Pennsylvania. Universal and Significa are both wholly-owned subsidiaries of BCNEPA.
5. BCNEPA is the sole ultimate controlling person of Peninsular and Significa.

Filing of the Application

6. 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.
7. 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.
8. 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 and 21207 (“GAA Amendments Act”), provide that all plans of merger of domestic insurers must be filed with the Department for approval or disapproval.

9. On March 23, 2007, 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 Peninsular requesting approval to merge Significa with and into Peninsular with Peninsular being the survivor.
10. 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.

Notice and Filing of Comments

11. On April 7, 2007, the Department published notice in the Pennsylvania Bulletin that the Application had been submitted by Peninsular and such notice invited interested persons to submit comments to the Department regarding the Application for a 7-day period, ending April 14, 2007 (“Comment Period”).
12. One comment was received during the Comment Period.
13. The comment was reviewed by the Department and determined to not be salient to the proposed merger.

The Transaction

14. Peninsular and Significa executed an Agreement and Plan of Merger dated as of April 11, 2007 (“Merger Agreement”), which provides for Significa to merge with and into Peninsular, with Peninsular being the surviving corporation.
15. As described in the Application, the Merger Agreement was adopted by the sole shareholder of Significa on March 25, 2007, and by the board of directors of Significa on March 27, 2007.
16. As described in the Application, the Merger Agreement was adopted by the sole shareholder and board of directors of Peninsular on February 9, 2007.
17. As described in the Application, Peninsular shall acquire all of the assets of Significa and assume all of the debts and other liabilities of Significa.
18. As described in the Application, the articles of incorporation and by-laws of Peninsular in effect immediately prior to the merger shall be the articles of incorporation and by-laws of Peninsular upon the effective date of the merger with the exception of the amendment to reflect the name change of “Peninsular

Life Insurance Company” to “Significa Insurance Group, Inc.”

19. As described in the Application, the members of the board of directors and the officers of Peninsular prior to the merger shall be the members of the board of directors and the officers of Peninsular after the merger.
20. As described in the Application, each share of Significa common stock issued and outstanding immediately prior to the effective date of the merger shall be cancelled without consideration.
21. As described in the Application, each share of Peninsular common stock issued and outstanding immediately prior to the effective date shall remain issued and outstanding and be unaffected by the merger.
22. As described in the Application, BCNEPA will remain the sole ultimate controlling person of Peninsular upon the effective date of the merger.
23. 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 Significa and Peninsular.
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 a domestic insurer 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. Pursuant to Section 1924 of the 1988 BCL, the Deputy Commissioner concludes that the Merger Agreement has been adopted and consented to by the sole shareholders of Significa and Peninsular, and by the board of directors of Significa and Peninsular.

6. The Deputy Commissioner concludes that the execution and contents of 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 on or after 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 Significa 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 proposed merger is in accordance with law and not injurious to the interests of policyholders and creditors of Significa and Peninsular.
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-07-09

ORDER

Upon consideration of the foregoing, the Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”) hereby approves the application of Peninsular Life Insurance Company in support of the request for approval to merge Significa Insurance Group, Inc. with and into Peninsular Life Insurance Company with Peninsular Life Insurance Company being the survivor in a transaction exempt from the requirements of 40 P.S. §991.1402 subject to the following conditions:

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 and valid for one year, provided no material changes are made to the Application.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Commonwealth of Pennsylvania