

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of HealthAmerica	:	Holding Companies Act, Article
Pennsylvania, Inc. Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40 P.S.	:	Law of 1921, Act of May 17, 1921,
§991.1402 for the Merger of NewAlliance	:	P.L. 682, <u>as amended</u> , 40 P.S.
Health Plan, Inc. with and into	:	§§991.1401, 991.1402, and
HealthAmerica Pennsylvania, Inc.	:	991.1403
	:	
	:	ID-RC-02-12

DECISION AND ORDER

AND NOW, on this ___26th___ day of April, 2002, 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. NewAlliance Health Plan, Inc. (“NewAlliance”) is a for-profit health maintenance organization (“HMO”) organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business to be located in Harrisburg, Pennsylvania.
2. HealthAmerica Pennsylvania, Inc. (“HealthAmerica”) is a for-profit HMO organized under the laws of the Commonwealth of Pennsylvania, with its principal place of business located in Harrisburg, Pennsylvania. HealthAmerica will own 100% of the issued and outstanding voting stock of NewAlliance prior to consummation of the instant transaction.

3. Coventry Health Care, Inc. (“Coventry”) is an insurance holding company organized under the laws of the state of Delaware with its principal place of business located in Bethesda, Maryland. Coventry directly controls 100% of the issued and outstanding voting stock of HealthAmerica.
4. On April 1, 2002, 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 HealthAmerica for approval to cause NewAlliance to be merged with and into HealthAmerica immediately after the consummation of HealthAmerica’s acquisition of NewAlliance.
5. As described in the Request, the plan involves the merger of NewAlliance with and into HealthAmerica, with HealthAmerica the surviving entity (the “Merger”).
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 any transaction resulting in control of a domestic insurer or HMO must be filed with the Department for approval or disapproval.
7. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
8. 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.
9. As provided in the Request, after the Merger Coventry will continue to directly hold 100% of the issued and outstanding voting stock of HealthAmerica.
10. The Deputy Commissioner finds that the transaction described in the Request will not result in a change of control of a Pennsylvania domiciled HMO.
11. 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 or merger of a domestic HMO if, after consummation thereof, a person would be in control of the domestic HMO.
2. The Request satisfies the requirements of all applicable laws and regulations.
3. The Merger proposed in the Request will not have the effect of changing or influencing the control of a domestic HMO and is therefore 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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HealthAmerica Pennsylvania, Inc.	:	991.1403
	:	
	:	ID-RC-02-12

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 application of HealthAmerica Pennsylvania, Inc. requesting exemption from the requirements of 40 P.S. §991.1402 for the merger of NewAlliance Health Plan, Inc. with and into HealthAmerica, as set forth in the Request, is hereby granted subject to this Order and the follow conditions:

1. HealthAmerica shall have consummated the acquisition of 100% of the issued and outstanding voting stock of NewAlliance prior to the instant merger; and
2. 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 from the date of signature, provided there are no significant changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Regulation of Companies