

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Excellus, Inc. Requesting	:	Holding Companies Act, Article
Exemption from the Requirements	:	XIV of the Insurance Company
of 40 P.S. § 991.1402 for a Change in	:	Law of 1921, Act of May 17, 1921,
the Direct Control of MedAmerica	:	P.L. 682, <u>as amended</u> , 40 P.S.
Insurance Company	:	§§991.1401, 991.1402, and
	:	991.1403
	:	
	:	Order No. ID-RC-02-31

DECISION AND ORDER

AND NOW, on this ___27th___ day of November, 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

Identity of the Parties

1. MedAmerica Insurance Company (“MedAmerica”) is a domestic stock life insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located at Rochester, New York.
2. MedAmerica, Inc. is a stock insurance holding company organized pursuant to the laws of the State of New York with its principal place of business located in Rochester, New York. MedAmerica, Inc. currently directly holds 100% of the issued and outstanding voting stock of MedAmerica.

3. Excellus Health Plan, Inc. (d/b/a Blue Cross Blue Shield of Central New York) is a non-profit insurance corporation organized pursuant to the laws of the State of New York with its principal place of business located in Rochester, New York. Excellus Health Plan, Inc. directly holds 100% of the issued and outstanding voting stock of MedAmerica, Inc.
4. Excellus Ventures, Inc. is a business corporation formed pursuant to the laws of the State of New York with its principal place of business located in Rochester, New York.
5. Excellus, Inc. is a non-profit corporation formed pursuant to the laws of the State of New York with its principal place of business located in Rochester, New York. Excellus, Inc. is the sole member of Excellus Health Plan, Inc. and directly holds 100% of the issued and outstanding voting stock of Excellus Ventures, Inc.

Filing of the Application

6. On November 19, 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 Excellus, Inc. for approval to effectuate a corporate restructuring which will result in a change in the chain of control within the holding company system of Excellus, Inc., although the ultimate controlling person will not change.
7. 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.
8. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
9. 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 have the effect of changing or influencing the control of a domestic insurer.

The Transaction

10. As described in the Request, MedAmerica would amend its charter to change the par value of the voting stock from \$25.00 per share to \$13.32 per share.
11. As described in the Request, MedAmerica, Inc. would exchange the 100,000 shares of \$25.00 par value MedAmerica voting stock it currently holds for 100,000 shares of \$13.32 par value MedAmerica voting stock.

12. As described in the Request, Excellus Ventures, Inc. would contribute \$10,000,000 in exchange for 87,758 shares of MedAmerica voting stock.
13. As described in the Request, the transactions would result in an increase of approximately \$17,727,184 in the contributed surplus account of MedAmerica.
14. As described in the Request, a result of the transactions would be that MedAmerica, Inc. would directly hold approximately 53% of the issued and outstanding voting stock of MedAmerica.
15. As described in the Request, a result of the transactions would be that Excellus Ventures, Inc. would directly hold approximately 47% of the issued and outstanding voting stock of MedAmerica.
16. As provided in the Request, ultimate control of MedAmerica would remain with Excellus, Inc.
17. The Deputy Commissioner finds that the transactions described in the Request does not have the effect of changing or influencing the control of a domestic insurer.
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 acquisition of stock proposed in the Request is not being contemplated to change or influence the ultimate control of MedAmerica, 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 of the request for approval of the change in direct control of MedAmerica Insurance Company, as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and is valid for one year from the date of signature.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Office of Corporate and Financial Regulation