

BEFORE THE ACTING INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402, and
	:	1403 of the Insurance Holding
Application of UnitedHealth Group	:	Companies Act, Article XIV of the
Incorporated. in Support of the Request for	:	Insurance Company Law of 1921,
Approval to Acquire Control of Unison	:	Act of May 17, 1921, P.L. 682,
Health Plan of Pennsylvania, Inc. and	:	<u>as amended</u> , 40 P.S. §§991.1401,
Unison Family Health Plan of	:	991.1402, and 991.1403
Pennsylvania, Inc.	:	
	:	Order No. ID-RC-08-01

DECISION AND ORDER

AND NOW, on this 15th day of April, 2008, Joel Ario, Acting 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. Unison Family Health Plan of Pennsylvania, Inc. (“Unison Family of PA”) is a for profit health maintenance organization (“HMO”) organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Churchill, Pennsylvania.
2. Unison Health Plan of Pennsylvania, Inc. (“Unison of PA” and together with Unison Family of PA the “Domestic HMOs”) is a for profit HMO organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Churchill, Pennsylvania. Unison of PA directly holds 100%

of the issued and outstanding capital stock of Unison Family of PA.

3. Three Rivers Holdings, Inc. (“Three Rivers”) is an insurance holding company organized under the laws of the state of Delaware with its principal place of business located in Memphis, Tennessee. Three Rivers directly holds 100% of the issued and outstanding capital stock of Unison of PA.
4. AmeriChoice Corporation (“AmeriChoice”) is an insurance holding company organized under the laws of the state of Delaware with its principal place of business located in Vienna, Virginia.
5. UnitedHealth Group Incorporated (“UnitedHealth”) is an insurance holding company organized under the laws of the state of Minnesota with its principal place of business located in Minnetonka, Minnesota. UnitedHealth directly holds 100% of the issued and outstanding capital stock of AmeriChoice.
6. UnitedHealth is a publicly held company whose shares are traded on the New York Stock Exchange.
7. UnitedHealth reports that it is not controlled by another person.
8. UnitedHealth is the sole ultimate controlling person of AmeriChoice.

#### Acquisition Filing

9. 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 HMO must be filed with the Commissioner for approval or disapproval.
10. On January 23, 2008, 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 UnitedHealth for approval to acquire control of Domestic HMOs.
11. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### Department Procedures

12. On February 2, 2008, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by UnitedHealth and such notice invited interested persons to submit comments to the Department regarding the Application for a thirty day period, ending March 3, 2008.

13. The Department received no comments regarding the Application during the thirty day comment period.

#### Description of the Proposed Acquisition

14. As described in the Application, on January 7, 2008, AmeriChoice and Three Rivers, among others, entered into a Stock Purchase Agreement (“Agreement”) whereby AmeriChoice would acquire all of the capital stock of Three Rivers.
15. As described in the Application, AmeriChoice would fund the total purchase price, after adjustments described in the Agreement, from UnitedHealth’s existing corporate resources and no part of the purchase price would be obtained from borrowed funds.
16. As described in the Application, Domestic HMOs would not be required to issue extraordinary dividends for debt service as a result of the proposed acquisition.
17. UnitedHealth would become the sole ultimate controlling person of Domestic HMOs upon consummation of the instant transaction.

#### 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 HMO.
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 HMO being acquired.
21. 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 HMOs being acquired.
22. Upon completion of the transaction, Domestic HMOs would have net worth in an amount that would satisfy the minimum required of a HMO.

### Competitive Impact

23. The acquisition of control of Domestic HMOs 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.
24. The acquisition of control of Domestic HMOs would not lessen competition or tend to create a monopoly in the Commonwealth because the market share of entities, as stated in the Application, does not exceed the market share levels established in Section 1403.

### Financial Condition of UnitedHealth

25. 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.
26. UnitedHealth reported December 31, 2007, audited GAAP account balances of:

Assets:	\$	50,899,000,000
Liabilities:	\$	30,836,000,000
Shareholder's Equity:	\$	20,063,000,000

27. The financial condition of UnitedHealth would not pose any impediments to the change in control nor jeopardize the financial condition of Domestic HMOs.

### Plans for the Acquired Insurer

28. 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 insurer.
29. As provided in the Application, UnitedHealth has disclosed that it intends to make no significant changes to the business plans of Domestic HMOs.

### Management

30. 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 insurers.
31. Biographical affidavits for all directors and executive officers of UnitedHealth were provided as part of the Application and the Department reviewed all

affidavits that were submitted.

32. The Department is satisfied that the persons who would control the operations of Domestic HMOs have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.
33. 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 Domestic HMOs.
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 insurer 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 insurer or prejudice the interests of its policyholders;
  - d) Any plans to liquidate the insurer, 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 insurers and not in the public interest;
  - e) The competence, experience and integrity of those persons who would control the operation of the insurer 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 Domestic HMOs.
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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Pennsylvania, Inc.	:	
	:	Order No. ID-RC-08-01

DECISION AND ORDER

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

The application of UnitedHealth Group Incorporated. (“UnitedHealth”) in support of the request for approval to acquire control of Unison Health Plan of Pennsylvania, Inc. and Unison Family Health Plan of Pennsylvania, Inc. is hereby approved, subject to this Order and the following condition:

UnitedHealth shall provide a list of the closing documents to the Insurance Department within five days of consummation of the subject transaction. The closing documents shall be available for Department review for a period of not less than five years from the date of the closing of this acquisition.

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

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JOEL ARIO  
Acting Insurance Commissioner  
Commonwealth of Pennsylvania