

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Section 5541 of Title 15,
	:	Pennsylvania Consolidated Statutes,
Application of Community Care	:	15 Pa. C.S. Section 5541, and
Behavioral Health Organization in	:	Sections 205 and 207 of the GAA
Support of the Request for Approval to	:	Amendments Act of 1990,
Recapitalize	:	Act of December 19, 1990, P.L. 834,
	:	No. 198, <u>as amended</u> , 15 P.S.
	:	§§21205 and 21207.
	:	
	:	Order No. ID-RC-12-18

DECISION AND ORDER

AND NOW, on this 4th day of December, 2012, Stephen J. Johnson, Deputy Insurance Commissioner of the Commonwealth of Pennsylvania (“Deputy Commissioner”), hereby makes the following Decision and Order:

Pursuant to 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 Parties

1. Community Care Behavioral Health Organization (“Community Care”) is a domestic non-stock non-profit risk assuming preferred provider organization not licensed as an insurance company (“RANLI PPO”) organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business at Pittsburgh, Pennsylvania.
2. University of Pittsburgh Medical Center (“UPMC”) is a domestic non-profit corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business at Pittsburgh, Pennsylvania. UPMC is the sole member of Community Care.

### Filing of the Application

3. On November 16, 2012, the Insurance Department of the Commonwealth of Pennsylvania (hereinafter referenced as “Department”) received an initial application (which together with all material received subsequently is collectively referenced as “Application”) from Community Care requesting approval to repay monies that had been contributed to Community Care over its initial five years.
4. The Application was filed pursuant to and in accordance with Title 15, Pa. C.S., Section 1 et seq., as amended, including the GAA Amendments Act of 1990 which is collectively known as the Business Corporation Law (hereinafter referenced as the “BCL”).

### Description of the Proposed Transaction

5. Over the initial five years of Community Care’s operations UPMC contributed in excess of \$20 million to the contributed surplus account of Community Care (the “Contribution”).
6. As described in the Application, Community Care’s bylaws permit Community Care to repay the Contribution.
7. On December 29, 2011, the Deputy Commissioner signed an order approving a similar repayment of \$15 million.
8. As described in the Application, on September 14, 2012, the Board of Directors of Community Care resolved to repay the remaining \$5,365,360 from the contributed surplus account to UPMC in full repayment of the Contribution (the “Recapitalization”).
9. Community Care’s 2011 Annual Statement reports contributed surplus of \$5,353,360 and total capital and surplus of \$135,189,207.
10. As described in the Application, upon implementation of the Recapitalization the contributed surplus account of Community Care would be reduced from \$5,365,360 to \$0.
11. As described in the Application, upon implementation of the recapitalization the total capital and surplus of Community Care would be reduced from \$135,189,207 to \$129,823,847.

### Standards for Review

12. In accordance with Section 21204(c) of the BCL, the capital stock of an insurance corporation may not be reduced below the minimum amount of capital stock required

by law for the formation of the corporation.

13. In accordance with Section 21205(b) of the BCL, a reduction in capital stock shall be approved if it is in accordance with law and consistent with the interests of the policyholders and creditors.
14. The minimum total capital and surplus of a RANLI PPO is set out in 31 Pa. Code Section 152.9.
15. In accordance with 31 Pa. Code Section 152.9, Community Care is required to maintain a minimum total capital and surplus of \$1,125,000 to write the class of insurance for which it is presently licensed.
16. Upon completion of the transaction, Community Care would have total capital and surplus in an amount that would satisfy the statutory minimum total capital and surplus required of a RANLI PPO.
17. 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. In accordance with Sections 5541 and 21205(g) of the BCL, the Application is consistent with the definition of a recapitalization.
2. In accordance with Section 21205(a) of the BCL, any recapitalization of a domestic insurer shall be effective only if approved by the Department.
3. The Application was properly filed pursuant to and in accordance with the BCL.
4. The Department has jurisdiction over the parties and subject matter of this proceeding.
5. In accordance with Section 21204(c) of the BCL, the Deputy Commissioner, based on the Application, has concluded that the recapitalization would not reduce the total capital and surplus of Community Care below the minimum amount required by law for the formation of the corporation.
6. In accordance with Section 21205(b) of the BCL, the Deputy Commissioner, based on the Application, has concluded that the recapitalization would be in accordance with law and would not be injurious to the interests of the policyholders and creditors of Community Care.
7. 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.

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Section 5541 of Title 15,  
 : Pennsylvania Consolidated Statutes,  
Application of Community Care : 15 Pa. C.S. Section 5541, and  
Behavioral Health Organization in : Sections 205 and 207 of the GAA  
Support of the Request for Approval to : Amendments Act of 1990,  
Recapitalize : Act of December 19, 1990, P.L. 834,  
 : No. 198, as amended, 15 P.S.  
 : §§21205 and 21207.  
 :  
 : Order No. ID-RC-12-18

ORDER

Upon consideration of the foregoing, the Deputy Commissioner hereby makes the following Order:

An approving determination for the Recapitalization of Community Care Behavioral Health Organization (“Community Care”), as set forth in the Application, is hereby granted, subject to this order and:

1. Community Care shall file an “Increase or Decrease of Stated Capital Form” with the Pennsylvania Insurance Department within 30 days after consummation of the Recapitalization.

This Order is effective immediately, and valid for one year provided there are no material changes to the Application.

---

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