

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Capital Blue Cross	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for	:	Law of 1921, Act of May 17, 1921,
Accepting a Proxy to Vote Additional	:	P.L. 682, <u>as amended</u> , 40 P.S.
Shares of the Capital Stock of	:	§§991.1401, 991.1402, and
Keystone Health Plan Central, Inc.	:	991.1403
	:	
	:	Order No. ID-RC-03-09

DECISION AND ORDER

AND NOW, on this ___28th___ day of March, 2003, 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. Keystone Health Plan Central, Inc. (“Keystone Central”) is a domestic health maintenance organization (“HMO”) organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in

Camp Hill, Pennsylvania.

2. Capital Blue Cross (“CBC”) is a domestic hospital plan corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Harrisburg, Pennsylvania. CBC directly holds 50% of the issued and outstanding capital stock of Keystone Central.
3. CBC is an ultimate controlling person of Keystone Central.

Filing of the Application

4. On February 24, 2003, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an initial request (which together with all material received subsequently is collectively referenced as “Application”) from CBC for approval to vote additional shares of capital stock of Keystone Central through the acceptance of a proxy.
5. 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 transactions resulting in control of a domestic HMO must be filed with the Department for approval or disapproval.
6. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
7. Section 1402(g) of the Insurance Holding Companies Act provides for the exemption from the requirements of Section 1402(b) if the transaction:
 - a. does not have the effect of changing or influencing the control of a domestic HMO, or
 - b. is otherwise not comprehended within the purposes of the section.

The Transaction

8. As described in the Application, CBC has received an offer to be granted an irrevocable proxy to vote all of the issued and outstanding capital stock of Keystone Central that it does not currently hold.
9. As described in the Application, CBC is an ultimate controlling person of Keystone Central before the acceptance of the proxy and would be an

ultimate controlling person of Keystone Central after accepting the proxy.

10. The Deputy Commissioner finds that the transaction described in the Application would not have the effect of changing or influencing the control of a domestic 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 controlling securities of a domestic HMO if, after consummation thereof, the acquiring person would be in control of the domestic HMO.
2. The Deputy Commissioner has jurisdiction over the parties and subject matter of this proceeding.
3. The Application was properly filed pursuant to and in accordance with Section 1402(g) of the Insurance Holding Companies Act.
4. The instant transaction is not being contemplated to change or influence CBC's ultimate control of Keystone Central, and, therefore, is exempt from the requirements of Section 1402(b) of the Insurance Holding Companies Act.
5. 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 No. ID-RC-03-09

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 Capital Blue Cross requesting exemption from the requirements of 40 P.S. §991.1402 for the acceptance of a proxy to vote additional shares of the capital stock of Keystone Health Plan Central, as set forth in the Application, is hereby granted.

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

STEPHEN J. JOHNSON
Deputy Insurance Commissioner