

BEFORE THE DEPUTY INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

In Re: : Pursuant to Sections 1401, 1402,  
: and 1403 of the Insurance  
Application of UPMC Coverage : Holding Companies Act, Article  
Products, Inc. Requesting Exemption : XIV of the Insurance Company  
from the Requirements of 40 : Law of 1921, Act of May 17, 1921,  
P.S. §991.1402 for the Restructuring of : P.L. 682, as amended, 40 P.S.  
its Holding Company System, which : §§991.1401, 991.1402, and  
includes UPMC Health Plan, Inc. and : 991.1403  
UPMC For You, Inc. :  
:  
:  
: Order No. ID-RC-05-02

DECISION AND ORDER

AND NOW, on this 31st day of March, 2005, 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. UPMC For You, Inc. ("UPMC For You") is a domestic non-profit membership health maintenance organization ("HMO") organized under the laws of the Commonwealth of Pennsylvania with its principal place of

business in Pittsburgh, Pennsylvania.

2. UPMC Health Plan, Inc. (“UPMC Health Plan” and together with UPMC For You the “Domestic HMOs”) is a domestic for-profit stock HMO organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Pittsburgh, Pennsylvania. UPMC Health Plan is the sole member of UPMC For You.
3. UPMC Coverage Products, Inc. (“UPMC Coverage Products”) is an insurance holding company organized under the laws of the Commonwealth of Pennsylvania, with its principal place of business in Pittsburgh, Pennsylvania. UPMC Coverage Products directly holds 88.6% of the issued and outstanding voting stock of UPMC Health Plan. No other person holds greater than 10% of the issued and outstanding voting stock of UPMC Health Plan.
4. University of Pittsburgh Medical Center (“UPMC”) is a non-profit corporation organized under the laws of the Commonwealth of Pennsylvania with its principal place of business located in Pittsburgh, Pennsylvania. UPMC indirectly holds 100% of the issued and outstanding voting stock of UPMC Coverage Products.
5. UPMC is a non-membership, non-stock corporation, and as such there are no voting securities.
6. UPMC is the sole ultimate controlling person of the Domestic HMOs.

#### Filing of the Application

7. On March 1, 2005, 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 UPMC Coverage Products for approval to effectuate a plan of reorganization of the holding company system that includes the Domestic HMOs.
8. 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 affecting the control of a domestic HMO must be filed with the Department for approval or disapproval.

9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
10. 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

11. As described in the Application, UPMC Health Plan will contribute 100% of its membership of UPMC For You to UPMC Coverage Products.
12. As described in the Application, after the transaction UPMC Coverage Products would directly hold 100% of membership interest of UPMC For You and 88.6% of the issued and outstanding voting stock of UPMC Health Plan.
13. As described in the Application, UPMC would continue to be the sole ultimate controlling person of the Domestic HMOs.
14. 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.
15. 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 the ultimate control of the Domestic HMOs, 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

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 UPMC Coverage Products, Inc. requesting exemption from the requirements of 40 P.S. §991.1402 for the restructuring of its holding company system, which includes UPMC For You, Inc. and UPMC Health Plan, Inc., 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.

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner