

BEFORE THE DEPUTY INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

| | | |
|---------------------------------------|---|-----------------------------------|
| In Re: | : | Pursuant to Sections 1401, 1402, |
| | : | and 1403 of the Insurance |
| Application of the Ultimate | : | Holding Companies Act, Article |
| Controlling Persons of Capital Health | : | XIV of the Insurance Company |
| Plans, Inc. Requesting Exemption | : | Law of 1921, Act of May 17, 1921, |
| from the Requirements of 40 P.S. | : | P.L. 682, as amended, 40 P.S. |
| § 991.1402 for a Change in the | : | §§ 991.1401, 991.1402, and |
| Insurance Holding Company | : | 991.1403 |
| Structure | : | |
| | : | ID-RC-05-12 |

DECISION AND ORDER

AND NOW, on this __4th__ day of November 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

1. Capital Health Plans, Inc. (“Capital”) is a risk assuming preferred provider organization that is not a licensed insurer organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Pittsburgh, Pennsylvania.
2. SelectCare Access Corporation (“SCAC”) is an insurance holding company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Pittsburgh,

- Pennsylvania. SCAC directly holds 100% of the issued and outstanding voting stock of Capital.
3. Managed Care of America, Inc. (“MCA”) is an insurance holding company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Pittsburgh, Pennsylvania. MCA currently directly holds 100% of the issued and outstanding voting stock of SCAC.
 4. MCOA Group, Inc. (“MCOA”) is an insurance holding company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Pittsburgh, Pennsylvania.
 5. Paul R. Hughes (“Mr. Hughes”) is an individual with his principal place of business located in Pittsburgh, Pennsylvania. Mr. Hughes controls approximately 12.7% of the issued and outstanding voting stock of MCA and MCOA.
 6. Audrey R. Hughes (“Ms. Hughes”) is an individual with her principal place of business located in Pittsburgh, Pennsylvania. Ms. Hughes controls approximately 15.2% of the issued and outstanding voting stock of MCA and MCOA.
 7. Phyllis Shehab (“Ms. Shehab”) is an individual with her principal place of business located in Pittsburgh, Pennsylvania. Ms. Shehab controls approximately 23.8% of the issued and outstanding voting stock of MCA and MCOA.
 8. Mr. Hughes, Ms. Hughes and Ms. Shehab are the only ultimate controlling persons of Capital (and are collectively referenced as “the Ultimate Controlling Persons”).
 9. On October 21, 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 “Request”) from the Ultimate Controlling Persons for approval to effectuate a corporate restructuring which will result in a change in the chain of control within the holding company system of Capital, although the ultimate controlling persons will not change.
 10. As described in the Request, MCOA will acquire control of SCAC. The result will be MCOA replacing MCA in the chain of control within the

holding company system of Capital.

11. 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.
12. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
13. As provided in the Request, the ultimate controlling persons of Capital will remain the Ultimate Controlling Persons.
14. 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.
15. The Deputy Commissioner finds that the transaction described in the Request does not have the effect of changing or influencing the ultimate control of a domestic insurer.
16. 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 control 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 proposed in the Request is not being contemplated to change or influence the ultimate control of Capital, 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 for the request for approval of the change in insurance holding company structure of Capital Health Plans, Inc., as set forth in the Request, is hereby granted subject to this Order.

This Order is effective immediately and valid for one year from the date of signature, provided there are no significant changes from the Request.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner
Regulation of Companies