

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 BlueCross	:	Holding Companies Act, Article
Requesting Exemption from the	:	XIV of the Insurance Company
Requirements of 40 P.S. §991.1402 for a	:	Law of 1921, Act of May 17, 1921,
Change in the Insurance Holding	:	P.L. 682, as amended, 40 P.S.
Company System of which Keystone	:	§§991.1401, 991.1402, and
Health Plan Central, Inc. is a Member	:	991.1403
	:	
	:	ID-RC-05-25

DECISION AND ORDER

AND NOW, on this \_\_15th\_\_ day of December, 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. Keystone Health Plan Central, Inc. (“KHPC”) is a health maintenance organization (“HMO”) organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Harrisburg, Pennsylvania.
2. Capital Advantage Insurance Company (“CAIC”) is a domestic stock casualty insurance company organized pursuant to the laws of the Commonwealth of Pennsylvania with its principal place of business located in Harrisburg, Pennsylvania.
3. Capital BlueCross (“CBC”) is a not for profit Hospital Plan Corporation organized pursuant to the laws of the Commonwealth of Pennsylvania with its

- principal place of business located in Harrisburg, Pennsylvania. CBC directly controls 100% of the issued and outstanding capital stock of KHPC and CAIC.
4. CBC is the sole ultimate controlling person of KHPC and CAIC.
  5. On November 29, 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 CBC for approval to effectuate a corporate restructuring which will result in a change in the chain of control within the holding company system of KHPC, although the ultimate controlling person will not change.
  6. As described in the Request, CBC will contribute its KHPC stock to CAIC. The result will be CAIC directly holding 100% of the issued and outstanding common stock of KHPC.
  7. 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 HMOs must be filed with the Commissioner for approval or disapproval.
  8. The Request was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
  9. As provided in the Request, the ultimate controlling person of KHPC will remain CBC.
  10. 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 HMO.
  11. 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 HMO.
  12. 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 voting securities of a domestic HMO if, after consummation thereof, the acquiring person would be in control of the domestic HMO.
2. The Request satisfies the requirements of all applicable laws and regulations.
3. The change in direct control proposed in the Request is not being contemplated to change or influence the ultimate control of KHPC, 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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	:	
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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 exemption from the requirements of 40 P.S. Section 991.1402 for the change in the Insurance Holding Company system of which Keystone Health Plan Central, Inc. is a member, as set forth in the Request, is hereby granted.

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

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STEPHEN J. JOHNSON  
Deputy Insurance Commissioner  
Regulation of Companies