

BEFORE THE INSURANCE COMMISSIONER
OF THE
COMMONWEALTH OF PENNSYLVANIA

In Re:	:	Pursuant to Sections 1401, 1402,
	:	and 1403 of the Insurance
Application of Magellan Health	:	Holding Companies Act, Article
Services, Inc. Requesting Exemption	:	XIV of the Insurance Company
from the Requirements of 40 P.S.	:	Law of 1921, Act of May 17, 1921,
§991.1402 for the Restructuring of its	:	P.L. 682, <u>as amended</u> , 40 P.S.
Holding Company System, which	:	§§991.1401, 991.1402, and
includes Magellan Behavioral Health	:	991.1403
of Pennsylvania, Inc.	:	
	:	Order No. ID-RC-14-03

DECISION AND ORDER

AND NOW, on this 25th day of April, 2014, 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. Magellan Behavioral Health of Pennsylvania, Inc. (“MBH of PA”) is a domestic risk-assuming preferred provider organization organized under the laws of the Commonwealth of Pennsylvania with its principal place of business in Newtown, Pennsylvania.
2. Merit Behavioral Care Corporation (“MBC”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in Avon, Connecticut. MBC owns 100% of the voting securities of MBH of PA.

3. Magellan Behavioral Health, Inc. (“MBH”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in Avon, Connecticut. MBH owns 100% of the voting securities of MBC.
4. Magellan Health Services, Inc. (“MHS”) is an insurance holding company organized under the laws of the State of Delaware with its principal place of business in Avon, Connecticut. MHS owns 100% of the voting securities of MBH.
5. The stock of MHS is publicly traded on NASDAQ.
6. No person controls 10% or more of the voting securities of MHS.
7. MHS is the sole ultimate controlling person of MBH of PA.

Filing of the Application

8. On March 14, 2014, 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 MHS for approval to effectuate a plan of reorganization of the holding company system that includes MBH of PA.
9. 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 insurer must be filed with the Department for approval or disapproval.
10. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.
11. 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 insurer, or
 - b) is otherwise not comprehended within the purposes of the section.

The Transaction

12. As described in the Application, MBC will transfer 100% of the stock of MBH of PA to MBH. MBH will become the immediate parent of MBH of PA.

13. As described in the Application, MHS would remain the sole ultimate controlling person of MBH of PA following the transaction.
14. The Deputy Commissioner finds that the transaction described in the Application does not have the effect of changing or influencing the control of a domestic insurer.
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 a controlling interest of a domestic insurer if, after consummation thereof, the acquiring person would be in control of the domestic insurer.
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 restructuring of the holding company system proposed in the Application is not contemplated to change or influence the ultimate control of MBH of PA 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 Magellan Health Services, Inc. requesting exemption from the requirements of Section 1402 of the Insurance Holding Companies Act for the restructuring of the holding company system which includes Magellan Behavioral Health of Pennsylvania, Inc., as set forth in the Application, 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 Application.

STEPHEN J. JOHNSON
Deputy Insurance Commissioner