

STATE OF ARIZONA
FILED

OCT 6 2008

STATE OF ARIZONA
DEPARTMENT OF INSURANCE

DEPT OF INSURANCE
BY MS

In the Matter of the
Acquisition of Control of
United Concordia Insurance Company
(NAIC No. 85766),
Insurer,
By
Highmark Inc.,
Independence Blue Cross and
NewCo
Petitioner.

) Docket No. 08A-147-INS

ORDER APPROVING
ACQUISITION

On December 3, 2007, Highmark Inc., Independence Blue Cross, and NewCo ("Petitioner") submitted an application for the acquisition of control of United Concordia Insurance Company ("Insurer") with the Arizona Department of Insurance (the "Department") for approval of Petitioner as the controlling person of the Insurer pursuant to the provisions of A.R.S. §§20-481 through 20-481.30 and A.A.C. R20-6-1402.

Based upon reliable evidence provided to the Director of Insurance ("Director") by the Assistant Director of the Financial Affairs Division of the Department, the Director makes the following Findings of Fact, Conclusions of Law and enters the following Order:

1 **FINDINGS OF FACT**

2 1. The Insurer is a domestic insurer as referred to in A.R.S. §20-481.

3 2. NewCo is a to be formed Pennsylvania, non-profit, corporation resulting
4 from the consolidation of Highmark Inc. and Independence Blue Cross.

5 3. The Petitioner filed a statement as referred to in A.R.S. §§20-481.02 and
6 20-481.03, in the form required by A.A.C. R20-6-1402.

7 4. The Insurer and its security holders waived the ten (10) day advance filing
8 notice to be given as required by A.R.S. §20-481.07.

9 5. No evidence has been produced that would indicate or form the basis for a
10 finding that the Petitioner's acquisition of control of the Insurer:

11 a. Is contrary to law;

12 b. Is inequitable to the shareholders of any domestic insurer involved;

13 c. Would substantially reduce the security of and service to be rendered to
14 the policyholders of the domestic insurer in this State or elsewhere;

15 d. After the change of control the domestic insurer, would not be able to
16 satisfy the requirements for the reissuance of a Certificate of Authority to write the line
17 or lines of insurance for which it is presently licensed;

18 e. Would have the effect of substantially lessening competition in insurance
19 in this state, or tend to create a monopoly;

20 f. Might jeopardize the financial stability of the Insurer or prejudice the
21 interest of its policyholders, based upon the financial condition of any acquiring party;

22 g. Is unfair and unreasonable to policyholders of the Insurer and is not in the
23 public interest, based upon the plans or proposals that the acquiring party has to
24 liquidate the insurer, sell its assets or consolidate or merge it with any person, or to
25 make any other material change in its business or corporate structure or management;

1 h. Would not be in the public interest of policyholders of the Insurer and of
2 the public to permit the merger or other acquisition of control based upon the
3 competence, experience and integrity of those persons who would control the operation
4 of the Insurer; or

5 i. Would likely be hazardous or prejudicial to the insurance-buying public.

6 6. The Petitioner furnished completed fingerprint cards to the Department to
7 enable the Department to determine if NewCo's proposed officers have been charged
8 with or convicted of a felony or misdemeanor other than minor traffic violations. The
9 results of the analysis of the fingerprint cards submitted by the NewCo's proposed
10 officers have not been received by the Department. The NewCo proposed officers
11 made representations material to the issuance of the Order in this matter that none of its
12 officers have been charged with or convicted of a felony or misdemeanor other than
13 minor traffic violations. Petitioner has agreed to furnish this Department with
14 biographical affidavits for all additional senior officer and Board of Director
15 appointments. Additionally, Petitioner has agreed to submit fingerprint cards on all
16 additional officer and Board of Director appointments, excluding outside Directors not
17 involved in the insurance company operations.

18 **CONCLUSIONS OF LAW**

19 1. The application established that none of the enumerated grounds set forth
20 in A.R.S. §20-481.07(A) exist so as to provide a basis for disapproval or rejection of
21 Petitioner's acquisition of control of the Insurer.

22 2. Petitioner presented credible evidence for approval of its acquisition of
23 control of the Insurer and the Petitioner to be a controlling person pursuant to the
24 provisions of A.R.S. §§20-481 through 20-481.30, and A.A.C. R20-6-1402.
25

1 ORDER

2 THEREFORE, I, CHRISTINA URIAS, Director of Insurance of the State of
3 Arizona, for the purpose of protecting and preserving the public health, safety and
4 welfare, and by virtue of the authority vested in me by A.R.S. §§20-142, 20-481 through
5 20-481.30, and A.A.C. R20-6-1402 hereby order that :

6 1. The acquisition of control of the Insurer by the Petitioner is approved,
7 subject to the following express condition:

8 If the completed fingerprint cards furnished to the Department of Insurance
9 reveal that Petitioner's officers or directors have been charged with or convicted of a
10 felony or misdemeanor other than minor traffic violations, the individual(s) shall be
11 removed as an officer and/or director of the Petitioner within 30 days after notice to
12 Petitioner by the Department of Insurance and shall be replaced with an officer or
13 director acceptable to the Director. If Petitioner fails to take the prescribed action within
14 30 days, this failure will constitute an immediate danger to the public and the Director
15 may immediately suspend or revoke Insurer's certificate of authority without further
16 proceedings.

17 2. Subject to A.R.S. §20-481.21, all documents, materials and other
18 information that is in the possession or control of the Department and that was obtained
19 by or disclosed to the Director or any other person in the course of filing the application
20 is confidential and privileged, is not subject to Title 39, Chapter 1, Article 2 and is not
21 subject to subpoena.

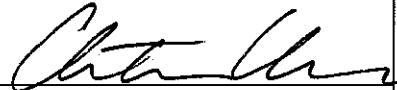
22 3. The Petitioner shall advise the Director in writing of the effective date of
23 the change of control.

24 4. Upon consummation of this acquisition, the Insurer shall file its registration
25 statement in the form required by A.A.C. R20-6-1403.B and within the time period

1 prescribed by A.R.S. §20-481.13. If the registration statement would duplicate the
2 information previously submitted by the Petitioner in the statement filed with the
3 Department pursuant to A.R.S. §20-481.03 and there have been no material changes
4 since the filing of that statement, then the Insurer shall submit a statement to that effect
5 incorporating by reference the statement previously filed with the Department in lieu of
6 the registration statement;

7 5. The failure to adhere to one or more of the above terms and conditions
8 shall result without further proceedings in the suspension or revocation of the Insurer's
9 Certificate of Authority.

10 DATED this 2nd day of October, 2008.



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12
13 CHRISTINA URIAS
14 Director Of Insurance

15 COPY of the foregoing mailed
16 this 6th day of October, 2008,

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