COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT

ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURANCE COMPANY, HEALTH MAINTENANCE ORGANIZATION, PREFERRED PROVIDER ORGANIZATION, ASSOCIATION OR RECIPROCAL EXCHANGE

HONORABLE M. DIANE KOKEN
INSURANCE COMMISSIONER

QUALIFICATION REQUIREMENTS TO ACQUIRE CONTROL OF OR MERGE WITH A DOMESTIC INSURANCE COMPANY, HEALTH MAINTENANCE ORGANIZATION, PREFERRED PROVIDER ORGANIZATION, ASSOCIATION OR RECIPROCAL EXCHANGE

The Commonwealth of Pennsylvania appreciates your interest in acquiring or merging with a domestic insurance company, health maintenance organization, preferred provider organization, association or reciprocal exchange. In order to acquire control of or merge with a domestic insurance entity, you must first obtain approval of the Insurance Commissioner. This packet will explain the procedures to be followed and the documentation to be filed to obtain approval to acquire control of a domestic insurance entity.

CONTENTS

I. General Application Procedures **Page 2**
II. Specific Requirements **Pages 3-4**

Please refer to the following for guidance:

- **40 P.S. §991.1401 et seq. ("The Insurance Holding Companies Act")**
- **31 Pa. Code Chapter 25**

I. GENERAL APPLICATION PROCEDURES

These instructions will help you complete the application. At any time during the process, feel free to contact the Company Licensing Division at (717) 787-2735, or FAX (717) 787-8557, with your questions.

1) To expedite the application process, we recommend you assign one member of your staff as the designated point of contact for all correspondence and/or telephone inquiries with this department.

2) After receiving your application, the Department assigns a Licensing Specialist to process your submission. Please use this person as your primary point of contact with the Department.

3) The Licensing Specialist will acknowledge your application in writing and a general review of your application is performed. You will be notified within two weeks of receipt of your application if all principal requirements are satisfied.

4) Your timely response to Department inquiries during our review of the your application is appreciated. Unanswered inquiries over 90 days old may result in the application being considered inactive.

5) Please notify the Licensing Specialist of any changes in previously submitted documents. These include, but are not limited to, changes in the Directors, Officers, Conditions of Acquisition, or other pertinent information. Allowing application information to become outdated may cause delays.

II. SPECIFIC REQUIREMENTS

The following information or items must be provided to the Department in order to make a determination regarding a change in control of a domestic insurance entity:

1) A check made payable to the "Commonwealth of Pennsylvania", in the amount of $2,500, representing the non-refundable filing fee.

2) A completed Business Plan conforming to DOI-135. See: http://www.ins.state.pa.us/ins/LIB/ins/assets/download/doi-135.pdf

3) Completed biographical affidavits in the form of the NAIC Biographical Affidavit. See: [Word] [PDF]

4) With respect to the domestic insurance entity:

   - A "before" and "after" balance sheet and income statement.

   - A preacquisition balance sheet with a column reflecting any adjustments to the post-acquisition balance sheet. Include a summary description of all adjustments.

5) The latest NAIC Risk Based Capital Calculation.

6) Address compliance with the requirements of 40 P.S. §991.1405(c)(3) & (4).

7) Address compliance with the competitive standards of 40 P.S. §991.1403(d)(2).

8) A completed Form A Statement (pursuant to 31 Pa. Code Chapter 25). See http://www.pacode.com/secure/data/031/chapter25/chap25toc.html

Acquisitions and mergers of domestic insurance entities are subject to the Insurance Holding Companies Act (40 P.S. §991.1401 et seq.) Please review the entire act before any documentation is prepared. Please note there is a provision for the exemption from the filing requirements of 40 P.S. §991.1402 at paragraph (g). The determination that exemption conditions exist is made by the Department. If you believe that an exemption order is applicable, please provide a letter stating the reasons you believe the exemption order is appropriate. In either case, approval by the Department is required before consummation of the transaction.

The specific facts of the transaction will determine if the Department will publish notice of the transaction in the *Pennsylvania Bulletin*. If notice is published, up to a thirty (30) day public comment period will occur. The Department cautions against setting a final settlement date until a determination is made by the Department.

The Department requires that the applicant submit a second copy of the filing for public access within the Department's Public Room. This copy should not contain confidential information. Please refer to the following section for additional guidance on the public availability of filed documents.

All licensed insurers and their holding companies are expected to be familiar with Pennsylvania statutes and regulations. For information on purchasing the compilation of the Pennsylvania Insurance Laws and cumulative pocket supplement thereto please see: http://www.ins.state.pa.us/ins/cwp/view.asp?a=1282&q=524989

PUBLIC AVAILABILITY OF FILED DOCUMENTS

This notice advises the insurance industry and other filers of the Department's practices regarding the availability of filed documents. In some instances, a public filing may include or reference materials which are entitled to confidential treatment under statute, regulation, case law, administrative or court order, or other such authority. For example, the Department declines to release personal information, such as Social Security numbers or home addresses of persons submitting Biographical Affidavits. In addition, documents may be nonpublic because they contain proprietary or privileged information or trade secrets. For example, the Department historically has not released business plans or financial projections which include analyses and underlying assumptions.

If a filer wishes to assert the confidentiality of documents, reports or other materials which are included or referenced within a "filing", the filer should alert the Department to this issue at the time of submission as follows:

- Submit the confidential materials physically separate from the remainder of the filing, submit a redacted version of the materials, or highlight the location of the confidential information in the filing.
- Identify the basis upon which the assertion of confidentiality, privilege or trade secret is premised.
- Identify the person to whom inquiries regarding the issue of confidential treatment should be directed.

Questions on the issues of public access to filed documents may be addressed to the analyst handling the filing or to: Chief, Company Licensing Division, Insurance Department, 1345 Strawberry Square, Harrisburg, PA 17120, ra-in-company@state.pa.us.