

BEFORE THE INSURANCE COMMISSIONER FOR THE STATE OF ARKANSAS

IN THE MATTER OF THE APPLICATION
FOR APPROVAL OF THE ACQUISITION
OF CONTROL OF QCA HEALTH PLAN, INC.
AND QUALCHOICE LIFE AND HEALTH
INSURANCE COMPANY, INC.

AID NO. 2010- 092

ORDER

A hearing was held at 1:00 p.m. on November 4, 2010, in the Hearing Room of the Arkansas Insurance Department in accordance with the provisions of Ark. Code Ann. § 23-69-142 and other pertinent provisions of the Arkansas Insurance Code, pursuant to a Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer (the "Statement"), which included the requisite plan and agreement, dated August 26, 2010, filed by QualChoice Holdings, Inc. (the "Applicant") seeking approval of an Exchange Agreement (the "Agreement") among the parties identified as the "Participating Owners": (1) The holders of all of the common and preferred stock of QCA Health Plan, Inc. ("QCAHP"), namely QualChoice of Arkansas, Inc., The TriZetto Group, Inc., St. Vincent Health System, Inc., Arkansas Childrens Hospital, University of Arkansas for Medical Sciences and Tenet HealthSystem Medical, Inc., and (2) the holder of all of the common stock of QualChoice Life and Health Insurance Company, Inc. ("QCLHIC"), namely Qualchoice of Arkansas Inc. The hearing was held before Chief Deputy Commissioner Lenita Blasingame ("Hearing Officer") pursuant to her appointment by Commissioner Jay Bradford in accordance with Ark. Code Ann. § 23-61-163. The Insurance Department (the "Department") was represented by Amanda Capps Rose, Associate Counsel, and Brenda Haggard, Manager of Financial Analysis. The Applicant was represented by Michael E. Stock, President and Chief Executive Officer of the Applicant, Randall Crow, Chief Financial Officer and Treasurer of the Applicant, James W. Couch, Esq., Chief Compliance

Officer and Secretary of the Applicant, and by its attorneys, Dover Dixon Horne, PLLC through Allan W. Horne. The Participating Owners of QCAHP and QualChoice Life and Health Insurance Company, Inc., were not separately represented by counsel.

FINDINGS OF FACT

From the Statement, related filings, testimony of the witnesses and other evidence introduced at the hearing, including exhibits filed in connection with the Statement, reports and statements on file with the Department, representations of counsel and other matters and things considered, the Hearing Officer finds as follows:

1. The Statement and related filings were filed herein on August 26, 2010. The parties agree that the Commissioner has jurisdiction of the parties and the subject matter under the provisions of Ark. Code Ann. §§ 23-69-142 and other pertinent provisions of the Arkansas Insurance Code. The Notice of Hearing was given within the time and in the manner required by law and the parties consented to the holding of this hearing at this time and on this date.

2. The Applicant is a newly formed Arkansas corporation formed by the Participating Owners for the purpose of restructuring their respective ownerships of QCAHP and QCLHIC to more efficiently manage and operate the business and affairs of such companies.

3. Through the acquisition and restructuring of the ownership of QCAHP and QCLHIC, the companies will, upon approval by the Commissioner, become subsidiaries of the Applicant. The Agreement has been approved by the proposed stock holders of the Applicant and their Boards of Directors, where applicable.

4. The Agreement is not contrary to law.

5. The Agreement is not inequitable to the stockholders of any domestic insurer involved.

6. The Agreement would not substantially reduce the security of and service to be rendered to policyholders of the domestic insurer in this state or elsewhere.

7. All filings, hearings and other procedures required by law or otherwise deemed appropriate by the Hearing Officer have been duly completed by the Applicant, Participating Owners, QCAHP, QCLHIC and the Department.

CONCLUSIONS OF LAW

Based upon the above and foregoing Findings of Fact and other matters, facts and things before the Hearing Officer, the Hearing Officer finds and concludes that the Agreement is not contrary to law, that none of the conditions specified in Ark. Code Ann. § 23-69-142(b)(2) as preclusions for the approval of the Agreement exist, and that the proposed acquisition of control of QCAHP and QCLHIC should be approved as provided in the Agreement, Statement and related filings, and as described in this Order.

ORDER

WHEREFORE, based upon the above and foregoing Findings of Facts, Conclusions of Law and other matters before the Hearing Officer, the Hearing Officer does hereby approve the proposed acquisition of QCAHP and QCLHIC, pursuant to and subject to the terms and conditions of the Statement and related filings, the Findings of Facts and Conclusions of Law.

IT IS SO ORDERED THIS 19th DAY OF NOVEMBER, 2010.


LENITA BLASINGAME
CHIEF DEPUTY COMMISSIONER
HEARING OFFICER