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FILED
PUBLIC SAFETY DIVISION
CHIEF HOLDING COMPANY

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition
and Control of:

NO. 12-0010

ARCADIAN HEALTH PLAN, INC., a
Washington-Domestic Health Care Service
Contractor,

**DECLARATION OF
RONALD J. PASTUCH**

by

HUMANA INC., a Delaware
Corporation, and HUMSOL, INC., its
wholly-owned subsidiary, collectively,

the Applicant.

Ronald J. Pastuch, under penalty of perjury under the laws of the State of Washington,
declares as follows:

1. I am the Holding Company Manager in the Company Supervision Division of
the Washington State Office of Insurance Commissioner ("OIC"). I am over the age of
eighteen years old and I am competent to testify in this matter. I make this Declaration based
upon my personal knowledge.

1 2. I am also a graduate of Pacific Lutheran University, where I earned a Bachelor
2 of Arts Degree in Business Administration in 1988. I was certificated as a CPA in 1993, and
3 received my CPA license in 2003.

4 3. After graduation, I worked for the Washington Department of Veterans Affairs
5 from 1980 to 1987 in accounting and human resource positions. In 1987, I joined the OIC as
6 an accountant, a position I held until 1991. From 1991 to 1993, I served as a field Insurance
7 Examiner with the OIC. From 1993 to 2006, I served as a Financial Analyst in the OIC's
8 Company Supervision Division, a position I held in various levels.

9 4. On February 16, 2006, I was appointed the Holding Company Manager in the
10 OIC's Company Supervision Division. As the Holding Company Manager, my primary
11 duties consist of reviewing and approving holding company transactions, which include
12 reviewing and recommending OIC's position on proposed requests for insurance company
13 acquisitions and mergers, including disclaimers of control.

14 5. On September 26, 2011, Humana Inc. and its wholly-owned subsidiary,
15 Humsol, Inc. (collectively, "the Applicant") filed a Form A Statement for the Approval of the
16 Acquisition of Control of Arcadian Health Plan, Inc. ("AHP") dated September 21, 2011.
17 AHP is a Washington domiciled stock health care service contractor incorporated on July 23,
18 2004, and began writing business on January 1, 2005. Humana Inc. is a Delaware corporation
19 incorporated during 1964 and based in Louisville, KY, and publicly traded on the New York
20 Stock Exchange. Humsol Inc. is a Delaware corporation incorporated on August 11, 2011
21 located in Louisville, KY and formed solely to facilitate the proposed acquisition transaction.
22 According to that Statement, the Applicant proposes to become affiliated through a merger
23 agreement between Humsol, Inc. and Arcadian Management Services, Inc. ("AMS"), which
wholly owns all common stock of and controls AHP. The proposed merger contemplates,
that upon closing, Humsol will merge with and into AMS, with AMS as the surviving
corporation. Humsol will be merged out of existence at closing, upon which Humana will

1 own all of the then issued and outstanding capital stock of AMS, and thus indirectly AHP.
2 The proposed merger between Humsol and AMS and the concurrent acquisition of AMS and
3 AHP by Humana are referred to as the Acquisition.

4 6. As part of the proposed transaction, the Applicant stated that current directors
5 and officers of AHP will be replaced by persons who are current directors and/or officers of
6 the Applicant. The Applicant also stated there are no plans or proposals to declare an
7 extraordinary dividend, liquidate AHP, sell AHP assets, merge AHP, or consolidate AHP with
8 any person or persons, or make any other material change in its business operations or
9 corporate structure and no changes with its plan of operation most recently approved by
Centers for Medicare and Medicaid Services ("CMS").

10 7. On November 4, 2011, the OIC sent a letter to the Applicant requesting
11 additional information concerning the Form A statement filing. That letter provided various
12 informational items needed for the Form A statement.

13 8. On November 11, 2011, the Applicant filed the supplemental attachment to the
14 Form A statement included submitted biographical affidavits from various persons who are
15 the Applicant's board of directors and/or executive officers. Some of those individuals are
16 listed under Exhibits 6 and 7 of the Form A Statement. The Applicant also provided detailed
17 market share information. The Applicant proposes no further changes to AHP's business
plan.

18 9. On August 26, 2011, the OIC contacted the Antitrust Section of the Office of
19 the Attorney General ("AGO") and provided notice of the proposed acquisition described in
20 this matter for reviewing information in a soon-to-be filed Form A statement according to
21 RCW 48.31C.030(5)(a)(ii). In that subsection, the AGO is to seek input from the Insurance
22 Commissioner if the AGO undertakes the review of the proposed acquisition. On October 5,
23 2011, and later on October 10, 2011, the OIC notified and submitted to the Washington
Attorney General Office the filed Form A Statement and attachments for the AGO's review of

1 the proposed acquisition to its antitrust division. On November, 4, 2011, the AGO requested
2 certain information about the business activity of the Applicant and AHP. That information
3 was outlined in the OIC's November 4, 2011 letter to the Applicant. The information
4 received on November 11, 2011 from the Applicant was sent to the AGO for the AGO's
5 review. On December 13, 2011, the OIC received an AGO letter dated December 13, 2011,
6 from the Assistant Attorney General stating "...based on our review, there does not appear to
7 be sufficient evidence to conclude that the proposed acquisition of control of Arcadian
warrants legal action by the AGO."

8 10. On December 30, 2011, the OIC submitted the Form A Statement and its
9 attachments to the Hearings Unit and requested a hearing be scheduled according to RCW
10 48.31C.030.

11 11. I have reviewed and analyzed these submittals. My analysis was performed
12 under the criteria set forth in RCW 48.31C.030(5). From my analysis,

13 a. The domestic health care service contractor would be able to satisfy the
14 requirements for the issuance of a license to write its current lines of business for which it is
15 presently licensed. AHP is presently registered to write health care services according to
16 Chapter 48.44 RCW. AHP's minimum capital and surplus as of the date of this Declaration is
17 \$5,560,229 according to RCW 48.44.037(1). According to AHP's Annual Statement filed
18 with the OIC, AHP's total capital and surplus was reported at \$38.5 million as of December
19 31, 2011. Also, AHP's latest risk-based capital ratio exceeded its company action level as
20 defined under RCW 48.43.305 and RCW 48.43.310. AHP's current capital and surplus
21 exceeds its required minimum capital and surplus and risk-based capital requirements.

22 b. The effect of the proposed acquisition of control would not lessen
23 competition in this state or tend to create a monopoly therein. A market analysis was
performed on the domestic health care service contractors and its related insurers' direct
writings, the Applicant and any related insurers' direct writings, and the Washington health

1 insurance market. The Applicant has one health care service contractor registered for
2 receiving prepayments for health care services but is not currently writing business in
3 Washington, and therefore, has no market presence in Washington State. However, the
4 Applicant's presence in the Medicare Advantage market in Washington State is through its
5 life insurer licensed in Washington State.

6 As of 2011, the Washington State enrollment amounts as reported to CMS were as follows:

	AHP	Humana Ins Co	Total Enrollees	Combined Mkt Share
8 WA	2,786	20,093	265,711	8.61%

9
10 2011 Health Premiums Reported according to their latest statutory financial statements
11 (stated in millions):

	AHP	Humana Ins Co	Total Combined
12 WA	\$24.778	\$225.665	\$250.443

13
14 AHP is a small player in the Medicare Advantage market in Washington State operating in
15 four eastern Washington counties. Humana operates in 17 Washington counties which
16 includes 3 of 4 counties where AHP also operates. Based on this information and AGO's
17 conclusion on its review of the Form A information, there would be no violation of the
18 competitive standard set forth in RCW 48.31C.020(1).

19 c. The financial condition of the Applicant appears that it would not jeopardize
20 the financial stability of the domestic insurer or prejudice its subscribers' interest. The
21 Applicant's latest financial statement information filed with the SEC under Form 10K, the
22 Applicant reported its total consolidated assets at \$17.7 billion and total stockholders' equity
23 at \$8.1 billion as of December 31, 2011. The Applicant's AM Best long-term debt rating
ranges between "bb+" to "bbb-" (Adequate) as of September 20, 2011, and the Applicant's

1 rating remains stable. Based on these facts, the current financial condition of the Applicant
2 would not jeopardize the financial stability of AHP or prejudice its subscribers' interest.

3 d. We are not aware of any plans or proposals by the Applicant to liquidate the
4 domestic health care service contractor, sell its assets, consolidate, or merge it with any
5 person, or make any other material changes in its business, corporate structure, or
6 management that are unfair and unreasonable to the domestic health care service contractor's
7 subscribers and not in the public interest. The Applicant intends that AHP will continue
8 conducting its business and operations substantially as presently conducted.

9 e. We verified the competence, experience and integrity of those persons who
10 would control the operation of the domestic health care service contractor through various
11 searches through internet search engines such as Google and Bing. From our review of the
12 background check information from a third party verification firm, we reviewed for any
13 criminal background of the named individuals who are listed in the Form A Statement and the
14 individuals identified from the Applicant's November 11, 2011 filing. We did not find any
15 criminal history associated with any named individual. As to other background checks, we did
16 not receive any criminal history associated with any named individual.

17 f. We are not aware that the acquisition is likely to be hazardous or prejudicial
18 to the insurance-buying public. We have not seen any commentary from AM Best about the
19 proposed acquisition and its effect on AHP's current AM Best rating (NR – Not Rated) even
20 though the Applicant's insurance subsidiaries are rated A- (Excellent). AHP would continue
21 to operate as it is currently conducting its business and operations within the new
22 organization. AHP's existing executive officers will be replaced by the Applicant's officers.
23 AHP's continuation with CMS Medicare Advantage care contracts would have a financial
24 impact if funding for those contracts were materially decreased or eliminated.

12. Depending on the testimony and evidence presented at the upcoming hearing,
we recommend to the presiding officer to approve the acquisition of AHP by the Applicant

1 contingent upon a certain condition. That certain condition will be presented to the presiding
2 hearing officer.

3 13. From a procedural standpoint, the OIC requires that notice of this proposed
4 acquisition be given to the public via the Internet (on the OIC's website). On December 22,
5 2011, OIC posted a notice on the Insurance Commissioner's website concerning the proposed
6 sale of AHP and information about the OIC's review process, a true and correct copy of
7 which is attached hereto as Exhibit "A". Such notice was updated by the OIC regarding the
8 hearing, via the Notice of Hearing and announcement posted on the OIC's website on March
9 13, 2012, a true and correct copy of which is attached hereto as Exhibit "B". That notice
10 informs the public of the March 27, 2012, hearing and the nature of the hearing. That notice
11 has remained on the OIC's website since March 13, 2012, and will remain posted on the
12 website through the date of the hearing. The OIC also provided information for the public
13 regarding the AHP acquisition and the OIC process for evaluating that acquisition and
14 updated for the upcoming March 27, 2012 hearing, a true and correct copy of which is
15 attached hereto as Exhibit "C".

16 14. The Notice of Hearing informs and advises all interested parties that any
17 individual or entity is permitted to submit comments on, or objections to, this proposed
18 acquisition. The Notice of Hearing states that any questions or concerns should be directed to
19 Kelly A. Cairns, Paralegal to the OIC's Chief Hearing Officer.

20 15. As of the date of this Declaration, I personally have not received any
21 comments, questions, or objections through letter, correspondence, email, or phone, nor am I
22 aware of any comments, questions, or objections having been received by the OIC's Chief
23 Hearing Officer.

SIGNED this 22th day of March, 2012.


Ronald J. Pastuch

EXHIBIT "A"



Arcadian Health Plan acquisition

The Office of the Insurance Commissioner received a request from Humana Inc. for a proposed acquisition of control of Arcadian Health Plan Inc. and its parent company, Arcadian Management Services, Inc. Arcadian Health Plan offers Medicare Advantage health products through the federal Centers for Medicare and Medicaid Services.

Arcadian Management Services and Humana are both for-profit corporations. Humana is proposing to become the sole owner of Arcadian Management Services and its affiliates. Arcadian Management Services is currently owned by several persons including Arcadian management and employees and also outside venture capitalists.

If approved, Humana would become the sole controlling person of Arcadian Management Services and Arcadian Health Plan.

History of the process

We received the application for acquisition of control in **September 2011**. We completed that review in **December 2011**. A judge will schedule an adjudicative hearing soon.

What we look at

In all proposed sales, the companies must file an application (Form A) that details:

- Financial information for both companies;
- Who will operate the health carrier at the highest levels;
- Their business plan for the health carrier; and
- How the market competition would be impacted.

Evaluation criteria

Under state law, the commissioner must approve the deal unless:

- It would substantially lessen competition or create a monopoly;
- The buyer's plans are unfair and unreasonable to the policyholders of the health carrier;
- The buyer's isn't competent, honest, or financially sound enough to run a health carrier; or
- It is in some way "hazardous or prejudicial to the insurance-buying public".

Questions?

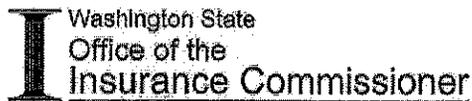
Please contact our holding company manager, Ron Pastuch, at 360-725-7211.

Updated 12/19/2011

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EXHIBIT "B"

**2012 Public notices****March 2012**

Hearing set to consider Humana's request to acquire Arcadian Health Plan - 03/13/12

2011 Public notices**December 2011**

Industrial Alliance Pacific Insurance and Financial Services Inc. requests approval to change their port of entry from Washington State to Texas – Hearing set for February 1, 2012. - 12/23/2011

Humana has applied to acquire Arcadian Health Plan, Inc. and its parent company, Arcadian Management Services, Inc. - 12/22/11

Safeco Companies seek approval to move their state of incorporation from Washington State to New Hampshire - 12/12/11

October 2011

Hearing scheduled for disclaimer of control of Commonwealth Insurance Company of America - 10/14/2011

September 2011

Hearing set for disclaimer of control of Commonwealth Insurance Company of America - 09/09/2011

Notice of filing for disclaimer of control of Commonwealth Insurance Company of America - 09/07/2011

July 2011

Hearing set for merger of PEMCO Insurance Company - 7/11/2011

June 2011

PEMCO Insurance Company has applied to merge with its parent company, PEMCO Mutual Insurance Company - 6/10/2011

April 2011

Hearing set for acquisition of Contractors Bonding & Insurance Company - 4/5/2011

February 2011

Hearing set for redomestication of National Merit - 2/10/2011

Hearing set for redomestication of Unigard companies - 2/7/2011

2010 public notices**December 2010**

Hearing set for acquisition of Columbia United Providers - 12/20/2010

August 2010

PeaceHealth has applied to acquire Columbia United Providers and its parent company, Southwest Washington Health Systems - 9/14/2010

June 2010

Hearing set for merger of Pacific Northwest Title Insurance Company - 6/15/2010

May 2010

Pacific Northwest Title has applied to merge with its parent company, First American Title - 5/6/2010

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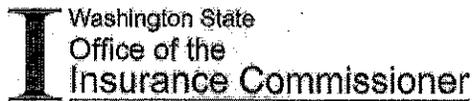


EXHIBIT "B"

Notice

Mike Kreidler
Washington Insurance Commissioner
Web page: www.insurance.wa.gov

For More Information, Contact:
Public Affairs: (360) 725-7055
Office of Insurance Commissioner

Hearing set to consider Humana Inc.'s request for approval to acquire Arcadian Health Plan, Inc.

Olympia, Wash. – The Insurance Commissioner has scheduled a hearing for March 27, 2012 at 10:00 a.m. Pacific Time in his Tumwater, Washington office to consider whether he should approve or deny Humana Inc.'s request to acquire Washington-based Arcadian Health Plan, Inc. Arcadian Health Plan, Inc. offers Medicare Advantage health products through the federal Centers for Medicare and Medicaid Services, and is wholly owned by its parent company, Arcadian Management Services, Inc. Arcadian Management Services, Inc. is currently owned by five venture capital investment funds affiliated with Morgan Stanley Dean Witter, and by Arcadian employees. Humana Inc. proposes to purchase the parent company and all of its subsidiaries including Arcadian Health Plan, Inc.

Humana Inc., which had \$36.8 billion in revenue in 2011, and has 11.2 million covered individuals in its medical plans and another 7.3 million in its specialty plans nationwide, is proposing to acquire all outstanding stock of Arcadian Management Services, Inc.. If approved, Humana Inc. would wholly own Arcadian Management Services, Inc. and all six of its subsidiary health carriers including Arcadian Health Plan, Inc.; Arkansas Community Care, Inc.; Arcadian Health Plan of North Carolina, Inc.; Arcadian Health Plan of Georgia, Inc.; Arcadian Health Plan of Louisiana, Inc.; and Arcadian Health Plan of New York, Inc.

The public is notified that all interested parties may submit letters of support or objections and/or may participate in the hearing by appearing in person or by telephone. To view the Notice of Hearing, which includes advice on how to participate and other related documents, go to http://www.insurance.wa.gov/orders/hearings_proceedings.shtml.

Updated 03/13/2012

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"EXHIBIT C"

Arcadian Health Plan acquisition

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Arcadian Management Services and Humana are both for-profit corporations. Humana is proposing to become the sole owner of Arcadian Management Services and its affiliates. Arcadian Management Services is currently owned by several persons including Arcadian management and employees and also outside venture capitalists.

If approved, Humana would become the sole controlling corporation of Arcadian Management Services and Arcadian Health Plan.

History of the process

We received the application for acquisition of control in **September 2011**. We completed that review in **December 2011**.

A judge has scheduled an adjudicative hearing for March 27, 2012 at 10:00 am in Tumwater to hear testimony and comments about this proposed acquisition.

What we look at

In all proposed sales, the companies must file an application (Form A) that details:

- Financial information for both companies;
- Who will operate the health carrier at the highest levels;
- Their business plan for the health carrier; and
- How the market competition would be impacted.

Evaluation criteria

Under state law, the commissioner must approve the deal unless:

- It would substantially lessen competition or create a monopoly;
- The buyer's plans are unfair and unreasonable to the policyholders of the health carrier;
- The buyer's isn't competent, honest, or financially sound enough to run a health carrier; or
- It is in some way "hazardous or prejudicial to the insurance-buying public".

Questions?

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Updated 03/09/2012

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