

STATE OF WASHINGTON

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MIKE KREIDLER
STATE INSURANCE COMMISSIONER



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HEARINGS UNIT
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HEARINGS UNIT
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BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Merger of:)	No. 14-0064
)	
VISION SERVICE PLAN (WASHINGTON),)	NOTICE OF HEARING ON
A Washington Limited Healthcare Service)	APPLICATION FOR PROPOSED
Contractor,)	MERGER
)	
with and into)	
)	
MID-ATLANTIC VISION SERVICE PLAN,)	
INC., a Virginia Not-for Profit Optometric)	
Services Corporation.)	
)	

TO: Stuart Thompson, Deputy General Counsel
Vision Service Plan
3333 Quality Drive
Rancho Cordova, CA 95670-7985

COPY TO: Mike Kreidler, Insurance Commissioner
James T. Odiorne, Esq., CPA, Chief Deputy Insurance Commissioner
William R. Michels, Deputy Commissioner, Company Supervision Div.
Ronald J. Pastuch, Holding Company Manager, Company Supervision Div.
AnnaLisa Gellermann, Deputy Commissioner, Legal Affairs Division
Marcia Stickler, Staff Attorney, Legal Affairs Division
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255



NATURE OF PROCEEDING

Vision Service Plan (Washington) (“Applicant” or “VSP-WA”) is a Washington non-stock nonprofit corporation. VSP-WA holds a Washington Certificate of Registration issued by the Washington State Insurance Commissioner, authorizing it to operate as a limited health care service contractor in Washington state, as defined in Chapter 48.44, RCW. Its core business is providing vision benefits coverage. Mid-Atlantic Vision Service Plan, Inc. (“Mid-Atlantic VSP”), an affiliate of VSP-WA, is a nonprofit company domiciled in Virginia. Mid-Atlantic VSP also holds a Washington Certificate of Registration issued by the Washington State Insurance Commissioner, authorizing it to operate as a limited health care service contractor in Washington state. VSP-WA and Mid-Atlantic VSP (together, the “Applicants”) propose to merge VSP-WA into Mid-Atlantic VSP, with Mid-Atlantic VSP being the surviving entity.

On November 27, 2013, VSP-WA and Mid-Atlantic VSP filed a Form A Statement Regarding the Merger with a Domestic Insurer with the OIC, requesting approval of its proposed merger. Subsequently, via various emails, the OIC advised the Applicants that additional information or action was required before the Form A Statement would be deemed complete. On February 10, 2014 and on March 26, 2014, the Applicants provided supplemental information, exhibits and attachments, and on March 28, 2014, the OIC determined that the Form A Statement contained all of the documents and information required to be included therein, and transmitted the Form A Statement to the undersigned. The undersigned has been delegated the responsibility to conduct the adjudicative proceeding herein and to make the final determination whether the Applicants’ proposed plan of merger meets the statutory criteria and should be approved, or whether it fails to meet the statutory criteria and should be denied.

All documents filed with VSP’s application for approval of this proposed merger, and all supplemental documents and information referenced herein, can be found at <http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/u-v/> or by contacting Kelly Cairns, Paralegal to the undersigned, at the above addresses and telephone number. These documents and materials include, among other documents, 1) VSP’s Form A Statement Regarding the Acquisition of Control of a Domestic Health Carrier; 2) Agreement and Plan of Merger between VSP and Mid-Atlantic VSP; 3) organizational charts before and after the merger; 4) 2013 financial statements for VSP and Mid-Atlantic VSP; and 5) biographical affidavits of the officers and directors of the companies. The documents specified above, and others also included in VSP’s filing, and all written communications between VSP and the Insurance Commissioner which were filed in this matter are published at the referenced website and shall be entered into evidence in this proceeding.

If their Form A application for approval of their proposed merger is granted after hearing, pursuant to statements made during prehearing conference, the Applicants propose to effectuate the merger on or about October 2014.

**IDENTITIES OF VISION SERVICE PLAN (WASHINGTON
AND MID-ATLANTIC VISION SERVICE PLAN;
DETAILS OF PROPOSED MERGER; CONSIDERATION
TO BE PAID; AND RESULT OF MERGER**

I. Identity of Vision Service Plan (Washington) and Mid-Atlantic Vision Service Plan.

Vision Service Plan (Washington) is a Washington nonprofit corporation. It has been authorized by Washington as a limited health care service contractor since 1961 (Washington Certificate of Registration No. 139). The nature of VSP-WA's business operations is the selling and administering of vision care plans. VSP-WA is a subsidiary of Vision Service Plan (California), which is based in Rancho Cordova, California. VSP-WA's registered address is 600 University Street, Suite 2004, Seattle, WA 98101. Its mailing address is 3333 Quality Drive, Rancho Cordova, California 95670.

Mid-Atlantic Vision Service Plan is a Virginia nonprofit corporation. Mid-Atlantic VSP became registered as a limited health care service contractor in Washington in August 2013 (Washington Certificate of Registration No. 500886), which was a prerequisite to the merger. Mid-Atlantic VSP is also a subsidiary of Vision Service Plan (California).

II. Proposed Merger and Consideration to be Paid. VSP-WA and Mid-Atlantic VSP propose the merger of VSP-WA with and into Mid-Atlantic VSP, with Mid-Atlantic VSP being the surviving entity. The proposed merger is between two affiliates of Vision Service Plan (California) and would involve no financial consideration. The proposed merger is one part of the plans of the holding company system to simplify its structure and manage fewer entities.

III. Result of Proposed Merger. Should this proposed merger be approved, the result would be that VSP-WA would be merged into Mid-Atlantic VSP, with Mid-Atlantic VSP becoming the surviving corporation governed by the laws of the state of Virginia. The corporate identity, existence, purposes, powers, objects, franchises, rights and immunities of VSP-WA shall be wholly merged in to Mid-Atlantic VSP and the separate existence of VSP-WA shall cease. All VSP-WA's assets and liabilities will be distributed to Mid-Atlantic VSP. The Applicants state that Mid-Atlantic VSP is a larger, better capitalized entity compared to VSP-WA. As the surviving entity, Mid-Atlantic VSP would take on the additional business, duties and obligations of VSP-WA, and all of VSP-WA's current contracts and members would become contracts and members of Mid-Atlantic VSP. The Applicants do not expect any change in operations, management or administration as a result of the merger.

IV. Documents to be filed and hearing procedure. Pursuant to RCW 48.31C.030(5), the Insurance Commissioner shall approve an acquisition of a domestic health carrier unless, after a public hearing thereon, it is found: 1) that after the change of control, the domestic carrier would not be able to satisfy the requirements for registration as a health carrier; and 2) the antitrust section of the office of the attorney general and any federal antitrust enforcement agency has chosen not to undertake a review of the proposed acquisition and the commissioner pursuant to his or her own review finds that there is substantial evidence that the effect of the acquisition may substantially lessen competition or tend to create a monopoly in the health coverage business; 3) the financial condition of an acquiring party is such as might jeopardize the financial stability of the health carrier, or prejudice the interest of its subscribers; 4) the plans or proposals that the acquiring party has to liquidate the health carrier, sell its assets, consolidate or merge it with any person, or to make any other material change in its business or corporate structure or management, are unfair and unreasonable to subscribers of the health carrier and not in the public interest; 5) the competence, experience, and integrity of those persons who would

control the operation of the health carrier are such that it would not be in the interest of subscribers of the health carrier and of the public to permit the merger or other acquisition of control; or 6) the acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

Toward this end, the parties are advised that the Insurance Commissioner or his duly authorized representative is expected to testify as to whether he has given reasonable advance notice to the public of the hearing scheduled herein and whether he or any members of his staff have received any objections or concerns relative to this proposed acquisition and provide details of these objections or concerns. The Insurance Commissioner or his duly authorized representative is also expected to testify as to 1) the conclusions the Insurance Commissioner has reached during his examination of VSP-WA and Mid-Atlantic VSP's Form A Application and all related documents and communications filed either before or after the Form A Application; 2) as to what the Insurance Commissioner's position is on the above stated issues 1) through 6); and 3) as to whether the Insurance Commissioner or any member of his staff have received any objections or concerns regarding this proposed acquisition and what specifically those objections and concerns are. Further, a duly authorized representative of VSP-WA and Mid-Atlantic VSP is expected to testify as to 1) what their position is as to the above stated issues 1) through 6) and why; and 2) as to whether VSP-WA or Mid-Atlantic VSP or any of its affiliates has received any objections or concerns regarding this proposed acquisition and provide details of these objections and concerns. Finally, while live testimony from the Insurance Commissioner and VSP-WA and Mid-Atlantic VSP will be taken during the hearing as to the above identified issues, written declarations from the Insurance Commissioner, VSP-WA and Mid-Atlantic VSP addressing these above identified issues must be filed at least three working days prior to the date of the hearing. Finally, written closing arguments from the Applicants (summarizing the testimony and other evidence presented in their Form A and at hearing, and applying the applicable statutes) are expected to be filed at least three working days prior to the date of the hearing. Duly authorized representatives of VSP-WA and Mid-Atlantic VSP can include officers and/or directors of the companies, or in-house counsel employed by the companies; while testimony of outside counsel or others may be presented, it will be in addition to the testimony of those duly authorized representatives specified above.

YOU ARE HERBY NOTIFIED that the adjudicative proceeding in this matter will be held commencing at 10:00 a.m. Pacific Daylight Time on Friday, May 9, 2014, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501, to consider Vision Service Plan (Washington)'s proposed merger with and into Mid-Atlantic Vision Service Plan, which is described above. All documents and all other information from the Applicants, all communications between the Commissioner, the Applicants, their affiliates, and the undersigned, which have been filed to date are published on the Commissioner's website for the public's review at <http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/u-v/> or by request to the undersigned to review the hearing file or any portions thereof.

The hearing will be held under the authority granted the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.31C.030, and shall have as its purpose consideration of the Applicants' request for approval of the proposed merger of VSP-WA with and into Mid-Atlantic VSP with Mid-Atlantic VSP being the surviving entity. As required, the hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC, along

with Title 48 RCW and regulations pursuant thereto. A party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

The Insurance Commissioner has not taken, and will not take, any position on this matter prior to entry of the Findings of Facts, Conclusions of Law and Final Order to be entered by the undersigned after hearing.

YOU ARE FURTHER NOTIFIED that all interested individuals may attend the hearing in this matter without prior approval as this is a public proceeding. Further, interested parties may also listen to or otherwise participate in the hearing by telephone by dialing (877) 668-4493, followed by access code number 231 993 38. YOU ARE FURTHER NOTIFIED that all interested individuals and entities may submit comments on, or objections to, this proposed merger to the undersigned. Said comments or objections, which will be included in the hearing record and will be considered by the undersigned prior to her making her final decision in this matter, must be submitted by 9:00 a.m. Pacific Daylight Time on Friday, May 9, 2014, by fax, U.S. Mail, personal delivery, or email to Judge Petersen. Her fax number is (360) 664-2782; her U.S. Mail address is PO Box 40255, Olympia, WA 98504-0255; her personal delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501; and her email address is that of her Paralegal, Kelly A. Cairns, which is KellyC@oic.wa.gov. YOU ARE FURTHER NOTIFIED that, pursuant to RCW 48.31C.030, any person whose interest is determined by the undersigned to be affected may present evidence and argument on all issues involved, examine and cross-examine witnesses, and offer oral and written statements, and in connection therewith may conduct discovery proceedings.

The Insurance Commissioner will appear by and through Marcia G. Stickler, Staff Attorney in his Legal Affairs Division. She can be reached at (360) 725-7048 or MarciaS@oic.wa.gov. Vision Service Plan (Washington) and Mid-Atlantic Vision Service Plan will be represented by Stuart Thompson, Deputy General Counsel for Vision Service Plan, 3333 Quality Drive, Rancho Cordova, California 95670-7985. He can be reached at (916) 851-4922 or StuaTH@VSP.com.

Based upon a delegation of authority from the Insurance Commissioner, the undersigned will conduct the hearing and will make the final decision and enter the final order relative to this matter without input from the Insurance Commissioner or his staff or any other individual who has knowledge of the issues herein, except as will be presented as evidence during the hearing. Her address is Office of the Insurance Commissioner, Hearings Unit, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7105. All questions or concerns should be directed to Kelly A. Cairns, Paralegal to the undersigned, who may be reached at the telephone and fax numbers, e-mail or U.S. Mail addresses set forth above.

On April 15, 2014, the undersigned held a first prehearing conference in this matter. The parties were represented by the above stated attorneys. Also in attendance were Lester Passuelo, Laura Olsen and Tiffanie Burkholter of Vision Service Plan; and Ronald J. Pastuch, OIC Holding Company Manager. During said first prehearing conference, the undersigned identified the parties and statutes involved, reviewed procedure to be expected at hearing, and responded to all questions and concerns of the parties. As stated above, **should any party or any interested individual have any further questions**

or concerns prior to the hearing date, they are advised to telephone or e-mail Kelly A. Cairns, Paralegal to the undersigned, for assistance or to schedule a second prehearing conference if necessary.

Pursuant to WAC 10-08-040(2) and in accordance with ch. 2.42 RCW, if a limited English-speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by ch. 2.42 RCW. Following this Notice is a form you may use to advise the Chief Presiding Officer of your need for an interpreter.

ENTERED at Tumwater, Washington, this 17th day of April, 2014, pursuant to Title 48 RCW and specifically RCW 48.31C.030, Title 34 RCW, and regulations applicable thereto.



PATRICIA D. PETERSEN
Chief Presiding Officer

Declaration of Mailing

I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Stuart Thompson, Esq., Mike Kreidler, James T. Odiorne, AnnaLisa Gellermann, Esq., Marcia G. Stickler, Esq., William R. Michels and Ronald J. Pastuch.

DATED this 17th day of April, 2014.



KELLY A. CAIRNS

HEARINGS UNIT
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Patricia D. Petersen
Chief Presiding Officer
(360) 725-7105

Kelly A. Cairns
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KellyC@oic.wa.gov

To request an interpreter, complete and mail this form to:

Chief Presiding Officer
Office of Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

REQUEST FOR INTERPRETER

I am a party or witness in Matter No. 14-0064, before the Insurance Commissioner. I NEED AN INTERPRETER and request that one be furnished.

Please check the statements that apply to you:

I am a non-English-speaking person. I cannot readily speak or understand the English language. My primary language is _____ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

I am unable to readily understand or communicate the spoken English language because:

- I am deaf.
- I have an impairment of hearing.
- I have an impairment of speech.

[Please state below or on the reverse side any details which would assist the Commissioner or Presiding Officer in arranging for a suitable interpreter or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]

Date: _____

Signed: _____

Please print or type your name: _____

Address: _____

Telephone: _____