

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

FILED

In the Matter of the Form A Application)
for the Proposed Determination of Control)
of:)

Docket No. 14-0106

2014 JUL -7 A 10:5

NOTICE OF HEARING

COLUMBIA UNITED PROVIDERS,)
INC., a Washington domestic insurer,)

by)

PEACEHEALTH NETWORKS, a)
Washington nonprofit corporation.)

TO: Stuart P. Hennessey, Esq.
PeaceHealth
1115 SE 164th Avenue
Vancouver, WA 98683

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

This Notice is provided pursuant to RCW 48.04.010 and RCW 34.05.434.

On February 18, 2014, the Washington State Insurance Commissioner (“Commissioner”) received a Form A Application from PeaceHealth Networks (“Applicant”), requesting confirmation and/or determination that Columbia United Providers, Inc. (“CUP”) is controlled by PeaceHealth Networks and that PeaceHealth, a related entity, does not control CUP.

All documents and information in this matter filed with the Application; all questions from the Commissioner and responsive documents and information filed by the Applicant; all communications from the undersigned to the Applicant and the Commissioner; all documents and information filed by the Applicant in response to requests from the undersigned; and all documents entered by the undersigned are published on the Insurance Commissioner’s website at: <http://www.insurance.wa.gov/laws-rules/administrative-hearings/judicial-proceedings/c-d/>.

Following review of the documents filed by the Applicant in support of the Application, communications with the Applicant, and requests for and receipt of additional required information from the Applicant, on May 15, 2014, the Commissioner referred the subject Application to the Presiding Officer, with the request the Application be reviewed and an adjudicative proceeding held, and a final decision entered determining the controlling person of CUP.

Description of the Applicant: PeaceHealth Networks is a Washington nonprofit corporation, formerly named Southwest Washington Health System. According to the Application: PeaceHealth Networks owns a majority interest (91.7%) in CUP. Prior to a reorganization, PeaceHealth, another Washington nonprofit corporation, controlled PeaceHealth Networks. As a result of a recent reorganization, the roles of PeaceHealth and PeaceHealth Networks reversed, and PeaceHealth Networks is now the sole controlling member of PeaceHealth.

Purpose of the Application: According to the Application: On January 1, 2011, PeaceHealth became the sole controlling member of Southwest Washington Health System (SWHS), now called PeaceHealth Networks, through an Affiliation Agreement. An amendment to the Affiliation Agreement specifically excepted PeaceHealth from controlling CUP until the Office of Insurance Commissioner ("OIC") approved a change of control. The OIC did not approve a change of control. The Application is being filed to clarify and confirm that, as a result of the reorganization, PeaceHealth no longer controls PeaceHealth Networks and therefore does not control CUP.

On June 23, 2014, a First Prehearing Conference was held. Stuart P. Hennessey, Attorney at Law, Senior Vice President Legal Affairs, appeared on behalf of PeaceHealth Networks and CUP. The Commissioner was represented by Marcia Stickler, OIC Staff Attorney, and Ronald J. Pastuch, CPA, Holding Company Manager, OIC Company Supervision Division, also participated. After considering the views of the parties:

The adjudicative hearing in this matter will be held beginning Thursday, August 7, 2014, at 10:30 a.m., Pacific Daylight Time, in the Office of the Insurance Commissioner, 5000 Capitol Boulevard, Tumwater, Washington 98501. The purpose of this hearing, in which all parties will participate, is to confirm or determine the control of CUP.

The Applicant is expected to appear by Stuart P. Hennessey, Senior Vice President and Assistant Secretary, PeaceHealth Networks, 1115 SE 164th Avenue, Vancouver, WA 98683. The Commissioner is expected to appear by Marcia Stickler, Staff Attorney, OIC Legal Affairs Division, P.O. Box 40255, Olympia, WA 98504-0255, (360) 725-7048.

The hearing will be held under the authority of and pursuant to Title 48 RCW, specifically RCW 48.04, Title 34 RCW, and applicable regulations, which may include the Model Rules of Procedure, Chapter 10-08 WAC. Pursuant thereto, the Commissioner has delegated to the undersigned the authority to conduct the hearing and to determine and enter the final orders and decision.

The acquisition of control of a domestic insurer is controlled by Title 48 RCW, specifically RCW 48.31B.015(4), which in summary provides that the commissioner shall approve a merger or other

acquisition of control of a domestic insurer unless, after a public hearing thereon, he or she finds: (i) After the change of control, the domestic insurer would not be able to satisfy the requirements for the issuance of a license to write the line or lines of insurance for which it is presently licensed; (ii) The effect of the merger or acquisition of control would be substantially to lessen competition or to tend to create a monopoly in insurance in Washington State; (iii) The financial condition of the acquiring party is such as might jeopardize the financial stability of the insurer, or prejudice the interest of its policyholders; (iv) The plans or proposals that the acquiring party has to liquidate the insurer, 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 the policyholders of the insurer and not in the public interest; (v) The competence, experience, and integrity of those persons who would control the operation of the insurer are such that it would not be in the interest of policyholders of the insurer and of the public to permit the merger or other acquisition of control; or (vi) The acquisition is likely to be hazardous or prejudicial to the insurance-buying public.

At least one authorized representative of the Applicant, CUP, and PeaceHealth (officers, directors, or in-house counsel are acceptable) shall testify as to the above stated issues (i) through (vi); and as to whether they have received any comments, complaints or concerns regarding this Application and the source and the details of any such comments, complaints, or concerns.

The Commissioner or his representatives shall testify as to issues (i) – (vi) and as to whether the Commissioner or any of his staff has received any comments, complaints or concerns regarding the Application, and the source and the details of any such comments, complaints, or concerns.

The parties may examine witnesses and fully respond and present evidence and argument on all issues.

A party failing to attend or participate in any stage of the proceeding may be held in default. RCW 34.05.434(2)(i).

If a limited English speaking or hearing impaired or speech-impaired party or witness needs an interpreter, a qualified interpreter will be appointed at no cost to the party or witness, except as may be provided by Chapter 2.42 RCW. WAC 10-08-040(2); Chapter 2.42 RCW. A Request for Interpreter form, with instructions, is attached to the original of this Notice.

Both the duly authorized representatives of the Applicant and the Commissioner and/or his duly authorized representative(s) shall file written testimony with the undersigned at least 5 business days prior to the date of the hearing, which will be published on the OIC website.

All case related documents and correspondence shall be directed to the Hearings Unit, Office of the Insurance Commissioner, P.O. Box 40255, Olympia, Washington 98504-0255. All interested individuals and entities who have questions or concerns concerning this proceeding should direct them to the Hearings Unit paralegal, Kelly A. Cairns, at the same postal address, or to fax number (360) 664-2782 or email KellyC@oic.wa.gov. Ms. Cairns' telephone number is (360) 725-7002.

This is a public proceeding. Interested persons may attend the hearing without prior approval or may listen to the hearing by telephone by dialing (877) 668-4493, followed by access code 231 993 38. Interested persons may submit to the undersigned comments on, or objections to, the proposed action, which will be included in the hearing record and will be considered prior to the final decision. Such comments and/or objections must be submitted by 9:00 a.m. Pacific Daylight Time on Thursday, August 7, 2014, by fax, U.S. Mail, personal delivery, or email. The fax number is (360) 664-2782; U.S. Mail address is PO Box 40255, Olympia, WA 98504-0255; personal delivery address is 5000 Capitol Boulevard, Tumwater, Washington 98501; and email address is c/o Hearings Unit Paralegal, Kelly A. Cairns, KellyC@oic.wa.gov.

This Order is entered pursuant to RCW 48.04, Title 34 RCW and applicable regulations.

Dated: June 30, 2014.

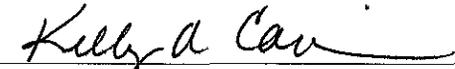


JUDGE GEORGE FINKLE (RET.)
Hearing Officer

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 P. Hennessey, Esq., Mike Kreidler, James T. Odiorne, JD, CPA, AnnaLisa Gellermann, Esq., Marcia Stickler, Esq., Ronald J. Pastuch and William R. Michels.

DATED this 7th day of July, 2014.



KELLY A. CAIRNS