

STATE OF WASHINGTON

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OFFICE OF
INSURANCE COMMISSIONER

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MIKE KREIDLER
STATE INSURANCE COMMISSIONER
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
of a true copy of this document to
parties listed below
DATED this 14th day of Nov. 2008
at Tumwater, Washington.

Signed: Wendy Galloway

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Disclaimer of Affiliation & Control of:)	G2008-0144
)	
UNITEDHEALTH GROUP, the Ultimate Controlling Person of PACIFICARE OF WASHINGTON, the Subsidiary, and A Washington Domiciled Health Care Service Contractor, by)	ORDER GRANTING EXEMPTION RELATIVE TO THE PURCHASE OF ADDITIONAL VOTING SHARES
)	
CAPITAL GROUP COMPANIES, INC., and CAPITAL GROUP COMPANIES MANAGEMENT COMPANIES.)	
)	

TO: James P. Ryan, Senior Vice President
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COPY TO: Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Andrea Philhower, Staff Attorney, Legal Affairs Division
Ronald Pastuch, Holding Company Manager, Company Supervision
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

Pursuant to Chapter 48.04 RCW, Chapter 34.05, RCW, and Chapter 48.31C RCW, and after notice to interested parties and persons (see notice detailed below), the above-entitled matter came on regularly for hearing before the Insurance Commissioner of the state of Washington, by telephone, commencing at 2:00 p.m. PST, on October 1, 2008. All persons to be affected by the above-entitled matter were given the right to be present at such hearing, during the giving of testimony, and had reasonable opportunity to inspect all documentary evidence, to examine witnesses and present oral and written statements. The Commissioner was represented by Andrea Philhower, Staff Attorney of the Legal Affairs Division. Capital Group Companies, Inc. and Capital Group Companies Management Companies were represented by J. Michael Low, Esq. and Tasha Cycholl, Esq. of Low & Childers, P.C., in Phoenix, Arizona.

NATURE OF PROCEEDING

Capital Group Companies, Inc., a CA corporation, wholly owns various subsidiaries which manage investments for their clients, consisting principally of mutual funds, institutional investors and individual investors. UnitedHealth Group, Inc. is a publicly traded insurance holding corporation that is the ultimate controlling party of PacifiCare of Washington, Inc., a Washington domiciled health care service contractor.

The various subsidiaries of Capital Group Companies, Inc. have discretionary investment authority to purchase and sell securities held by their respective clients, and currently propose to purchase additional shares of UnitedHealth Group, Inc. that may result in the mutual funds and accounts managed by these various subsidiaries owning, in the aggregate, up to 20% of the authorized, issued and outstanding voting common stock of UnitedHealth Group, Inc.. Because the various subsidiaries of Capital Group Companies, Inc. are wholly owned subsidiaries of Capital Group Companies, Inc., Capital Group Companies, Inc. may be deemed to control the UnitedHealth Group, Inc. stock held by such mutual funds, institutional investors and client accounts, notwithstanding the fact that the record owners of such shares are the individual mutual funds, institutional investors and/or client accounts. For this reason, Capital Group Companies, Inc. and its various subsidiaries now request approval to acquire up to, but not exceeding, 20% of the total authorized, issued and outstanding shares of voting common stock of UnitedHealth Group, Inc.

FINDINGS OF FACT

Having considered the written and oral evidence presented at the hearing, the documents on file herein, and the entire hearing file, the undersigned finds as follows:

1. The hearing was duly and properly convened and all substantive and procedural requirements under the laws of the state of Washington have been satisfied.
2. Capital Group Companies, Inc. (“CGC”), a CA domiciled corporation headquartered in Los Angeles, CA, wholly owns various subsidiaries which conduct the business of investment management. These subsidiaries manage investments for their clients, which consist principally of mutual funds, institutional investors and individual investors. These subsidiaries, collectively referred to as CGC Management Companies (“CGCMC”), include among them Capital Research and Management Company, domiciled in DE and headquartered in Los Angeles, CA, which manages the American Funds family of mutual funds (each American Fund is an investment company registered with the U.S. Securities and Exchange Commission). [Ex. 1; Testimony of Walt Burkley; Written Declaration of Walt Burkley.]
3. UnitedHealth Group, Inc. (UNH) is a publicly traded insurance holding corporation headquartered in Minnesota. UNH wholly owns PacifiCare Health Systems, LLC, which wholly owns PacifiCare Health Plan Administrators, Inc. which wholly owns PacifiCare of Washington, Inc. (along with other separate corporations PacifiCare of Texas, Oklahoma, Oregon, California, Arizona, Nevada and Colorado) and many other entities throughout the United States and the world. UnitedHealth Group, Inc. wholly owns, indirectly, PacifiCare of Washington, Inc. (hereinafter “PacifiCare”). PacifiCare is an active Washington domestic health care service contractor. [Ex. 1; Declaration of Ronald J. Pastuch; Declaration of Walt Burkley.] [It should be noted that, contrary to Mr. Pastuch’s Declaration, judicial notice has been taken that PacifiCare is a Washington domestic health care service contractor registered under chapter 48.44 RCW and not a Washington domestic insurer authorized under chapter 48.05 RCW.]
4. As of November 29, 2007, UNH had 1,330,000,000 authorized shares of voting common stock issued and outstanding. [Ex. 1.] As of November 29, 2007, mutual funds and clients managed by the CGCMC held, collectively, 102,429,904 such shares, representing 7.07% of the voting common stock of UNH. [Ex. 1.]
5. CGCMC, on behalf of their clients, propose to acquire additional voting common stock of UNH that may result in the ownership of up to, but not exceeding 20% of the authorized, issued and outstanding voting common stock of UNH, assuming aggregation of all of the mutual funds and investment accounts managed by the CGCMC, subject to the following conditions: 1) aggregate ownership of all clients of the CGCMC will not exceed 20% of the authorized, issued and outstanding voting common stock of UNH; 2) no individual client (e.g. a mutual fund or any institutional or individual investor) of CGCMC will own 10% or more of the authorized, issued and outstanding voting common stock of UNH; 3) CGC’s only affiliation with PacifiCare will result from the ownership of

securities of UNH, and neither CGC nor the CGCMC have any other contracts, arrangements or agreements with UNH or PacifiCare; and 4) the shares which CGC and the CGCMC propose to acquire will be for investment purposes only and will not be acquired for the purpose of affecting, changing or influencing the control of UNH or PacifiCare. [Ex. 1; Testimony and Declaration of Walt Burkley].

6. Because the proposed total aggregate amount of shares of UnitedHealth Group, Inc. which Capital Group Companies, Inc. and CGCMC would ultimately own would exceed 10%, on January 9, 2008, James P. Ryan, Sr. Vice President of Capital Group Companies, Inc. filed a Disclaimer of Affiliation and Control and Request for Exemption from the prior notice and approval requirements of RCW 48.31C.030, in connection with its proposed purchase of these additional authorized, issued and outstanding voting common stock of UNH. [Ex. 1; Testimony and Declaration of Walt Burkley.]

7. CGCMC is only acquiring the subject additional shares of UNH voting common stock on behalf of its clients in its ordinary course of business, solely for investment purposes, and not with the purpose nor with the effect of changing or influencing control of UNH or its subsidiaries, including PacifiCare. [Ex. 1; Testimony and Declaration of Walt Burkley.]

8. The proposed additional share acquisition of UNH by the CGCMC would not affect the ability of UNH to direct or cause the direction of the management and policies of UNH. Further, Capital Group Company, Inc.'s only affiliation with UNH will result from the ownership of voting common stock of UNH by clients of the CGC Management Companies. Neither Capital Group Company, Inc. nor the CGCMC have any other contracts, agreements or arrangements with UNH and its subsidiary. Further, Capital Group Company, Inc. does not own shares of UNH for its own account and the shares currently held by the CGCMC's clients, and those shares which are proposed to be acquired, are not acquired for the purpose of affecting, changing or influencing the control of UNH by the CGCMC. [Ex. 1; Testimony of Walt Burkley].

9. Capital Group Company, Inc. and the CGCMC's filing is complete and the proposed transaction will not be entered into, and would not have the effect of, changing or influencing UNH or PacifiCare. [Ex. 1; Testimony of Ronald Pastuch; Testimony of Walt Burkley.]

10. The Notice of Hearing in this matter, which contains information concerning this application and the public hearing thereon, was published in its entirety on the Washington State Insurance Commissioner's website beginning on September 16, 2008 and continuously since that date up until the date of hearing herein. This Notice constitutes reasonable and adequate notice to interested parties. [Ex.1; Declaration of Ronald J. Pastuch; Testimony of Ronald J. Pastuch.]

11. As indicated in the subject Notice of Hearing, all interested parties were given the opportunity to submit any comments on, or objections to this proposed acquisition to the undersigned by fax, U.S. mail, personal delivery, or e-mail. All interested parties were also advised in said Notice of Hearing that they would be given the opportunity to present evidence at hearing and to examine and cross-examine witnesses and offer oral and written

arguments, and in connection therewith to conduct discovery proceedings. Other than ordinary filings made into the hearing file by the parties, no comments, questions or objections were received by the Insurance Commissioner [Testimony of Ronald J. Pastuch] or by the undersigned. Because no comments, adverse or otherwise, and no objections, were received from any individual or entity, it is here found that no reasonable objection to this application exists.

12. Based upon the above Findings of Facts, it is here found that the proposed acquisition by the CGCMC, which may result in CGCMC owning an aggregate of no more than 20% of the total authorized, issued and outstanding voting stock of UNH, but with no individual client, mutual fund or any institutional or individual investor of the CGCMC owning 10% or more of the authorized, issued and outstanding voting common stock of UNH has not been made or entered into for the purpose of changing or influencing the control of UNH or PacifiCare and would not have the effect of changing or influencing the control of UNH or PacifiCare. [Ex. 1; Testimony of Ronald J. Pastuch; Testimony and Declaration of Walt Burkley.] For this reason, it is reasonable under the circumstances that an exemption should be granted.

13. Mr. Ronald J. Pastuch, Holding Company Manager in the Company Supervision Division of the Washington State Office of the Insurance Commissioner appeared as the sole witness on behalf of the Washington State Insurance Commissioner. Mr. Pastuch presented his testimony in a detailed and credible manner and exhibited no apparent biases.

14. Mr. Walter Burkley, Senior Counsel for Capital Research and Management Company of Los Angeles, California, appeared as a witness on behalf of The Capital Group and CGC Management Companies. Mr. Burkley presented his testimony in a detailed and credible manner and exhibited no apparent biases.

15. Mr. Payman Pezhman, General Counsel, West region, of UNH, appeared as a witness on behalf of UnitedHealth Care. Mr. Pezhman presented his testimony in a detailed and credible manner and exhibited no apparent biases.

16. The application of Capital Group Companies, Inc. and of CGC Management Companies (which consist primarily of Capital Research and Management Company) for an Order Granting Exemption relative to their proposed purchases, under the terms detailed above, of additional shares of UNH, the ultimate controlling person of PacifiCare of Washington, Inc. a Washington domiciled health care service contractor, should be approved.

CONCLUSIONS OF LAW

1. Pursuant to Title 48 RCW, the Insurance Commissioner has jurisdiction over this matter, and properly convened a hearing to hear and determine the merits of the proposed transaction herein. Further, the undersigned has been at all times pertinent hereto properly

delegated the authority to conduct the adjudicative proceeding in this matter and to make the final determination herein.

2. The Applicants properly filed a Request for Exemption, relating to the proposed purchase of additional shares of UnitedHealth Group, Inc., pursuant to RCW 48.31C.010, and such application contains the information required by RCW 48.31C.010.

3. Based upon the Findings of Facts set forth above, the CGC Management Companies propose to purchase additional shares of the authorized, issued and outstanding stock of UnitedHealth Group, Inc. with the result that the total aggregate voting shares of UnitedHealth Group, Inc., which clients of the CGC Management Companies will own, solely on behalf of their investment clients, may be up to, but not exceeding an aggregate of 20% with no individual mutual fund or client owning more than 10%. This proposed transaction is not planned and will not be entered into for the purpose or having the effect of changing or influencing the control of UnitedHealth Group, Inc., or PacifiCare of Washington, Inc., as contemplated by RCW 48.31C.010(3)(a).

4. Based upon the above Findings of Fact, reasonable notice to interested parties has been given, and no reasonable objections exist.

5. Based upon the above Findings of Fact, the provisions of the Insurance Code of the State of Washington, Chapter 48.31C RCW, and specifically RCW 48.31C.010(3) and RCW 48.31C.010(3)(a) relating to the control of a domestic insurer, have been met and the exemption contemplated by RCW 48.31C.010(3), exempting Capital Group Company, Inc. and the CGC Management Companies from the prior notice and approval requirements otherwise required by RCW 48.31C.030 relative to their prospective purchase of additional shares is granted, subject to the conditions set forth above.

ORDER

On the basis of the foregoing Findings of Fact and Conclusions of Law, to the effect that the statutory criteria for approval of this exemption from prior notice and approval otherwise required under RCW 48.31C.030 has been met relative to the proposed purchase of additional authorized, issued and outstanding shares of common stock of UnitedHealth Group, Inc. by the CGC Management Companies, not to exceed an aggregate of 20% of the total authorized, issued and outstanding voting shares of UnitedHealth Care, Inc. and with no mutual fund or individual client to own in excess of 10% of those total authorized, issued and outstanding shares, and to the effect that approval of this request for an exemption should be granted,

IT IS HEREBY ORDERED that the application for an order granting exemption, filed by Capital Group Company, Inc. and its subsidiaries, Capital Group Companies Management Companies, requesting an exemption relative to their proposed purchase of additional shares of UnitedHealth Group, Inc. the ultimate parent company of PacifiCare of Washington, Inc. a Washington domestic health care service contractor, upon the terms set

forth above and included into evidence in this proceeding, is **GRANTED** effective as of the date of oral order granting approval, October 8, 2008.

This Order is entered pursuant to Title 48 RCW, and specifically RCW 48.31C.010 and RCW 48.31C.030, Title 34 RCW and regulations applicable thereto.

ENTERED at Tumwater, Washington, this 14th day of November, 2008.



PATRICIA D. PETERSEN
Chief Hearing Officer
Presiding Officer