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2013 FEB 26 P 12:45

February 25, 2013

Ms. Kelly A. Cairns
Washington Office of Insurance Commissioner
5000 Capitol Blvd
Tumwater, WA 98501

Hearings Unit, DIC
Patricia O. Peterson
Chief Hearing Officer

**Re: Proposed Acquisition of Control of Soundpath Health, Inc. ("SPH") by
CollabHealth Plan Services, Inc. ("Applicant" or "CHPS")
Docket No. 13-0039**

Dear Ms. Cairns:

On behalf of CHPS and in connection with the above-referenced matter, we are enclosing the following documents in advance of the hearing scheduled for Friday, March 1, 2013:

1. Pre-filed Direct Testimony of Mark F. Bjornson
2. Pre-filed Direct Testimony of Juan R. Serrano

We look forward to meeting with you at the hearing on March 1, 2013.

Very truly yours,



Linda H. DuPuis, Esq.
Corporate Counsel

LHD:bg

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Hearings Unit, DIC
Patricia D. Peterson
Chief Hearing Officer

BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF WASHINGTON

Statement Regarding the Acquisition of
Control of or Merger with a Domestic
Health Carrier:

SOUNDPATH HEALTH, INC., a
domestic Washington health care services
contractor

By:

COLLABHEALTH PLAN
SERVICES, INC. (the "Applicant")

No. 13-0039

**PRE-FILED TESTIMONY OF JUAN R.
SERRANO**

PRE-FILED DIRECT TESTIMONY OF:

Juan R. Serrano
Chairman of the Board of Directors
CollabHealth Plan Services, Inc.

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I. Introduction

1. Please state your name for the record.

My name is Juan Ricardo Serrano.

2. Please provide your business address.

198 Inverness Drive West

Englewood, CO 80112

3. What is your position with the Applicant?

I am Chairman of the Board of Directors of the Applicant.

4. How long have you held this position?

I have been the Chairman of the Board since the Applicant was formed on October 17, 2012.

5. Do you hold any other positions with any affiliates of the Applicant?

I am the Chief Executive Officer as well as a member of the Board of Directors of the Applicant's immediate parent company, CollabHealth Managed Solutions, Inc.

I have been with the Applicant's ultimate parent company, Catholic Health Initiatives, which I may also refer to as CHI, since August 2010. I currently serve as National Vice President, Payer Strategy & Operations.

6. What will be your position with Soundpath Health, Inc. once the transaction is completed?

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In my positions with the Applicant and as the CEO of CollabHealth Managed Solutions Inc., I will exercise oversight over the operations of Soundpath Health, Inc., which I may also refer to as Soundpath.

7. Please describe your educational background.

I graduated from Baylor University with a Bachelor of Arts degree in Business Administration in 1987.

8. Please describe your experience in the insurance industry.

I started my career after graduation at The Prudential Insurance Company as a group underwriter. In 1991, I moved to UnitedHealthcare to become the Director of Group Underwriting, a position I held for nearly four years. In 1995, I became the Director of Commercial Sales with UnitedHealthcare and was in that position for nearly a year when I decided to take a position in South Africa with Southern Healthcare as the General Manager, Underwriting, Sales and Product Development and Client Relations. I lived in Johannesburg until the end of 1997 at which time I moved back to the United States to work with UnitedHealth Networks as Vice President, Network Pricing and Operations. After six years in that position, I moved to Texas to take the position of North Texas Market Executive Director with UnitedHealthcare of Texas. In 2006, I went to work for Ovations, a UnitedHealthcare company, as Vice President, Secure Horizons Corporate Network Strategy. I moved to WellCare Health Plans in 2008 to become the Vice

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President, Corporate Network Management. I was there until 2010 when I took my current position with Catholic Health Initiatives.

II. Background of the Applicant

9. Please describe generally the business of the Applicant?

The Applicant was formed on October 17, 2012 in order to facilitate the acquisition of Soundpath.

In 1995, various Catholic health care leaders began to explore ways to strengthen the health ministry for the future. They envisioned a national Catholic health ministry, sponsored and governed by an equal religious-lay partnership. The goal was to transform the delivery of health care while also promoting healthy communities.

In 1996, their vision came to fruition. Three national Catholic health care systems that represented over ten congregations consolidated into one system and began operations as Catholic Health Initiatives. The first Board of Stewardship Trustees was made up of a mixture of lay persons and members from religious institutes.

Initially, CHI operated the hospitals and long-term care facilities that had been part of its founders' organizations. As the business of health care has evolved, CHI has evolved. It has added additional health care facilities, and it has participated in innovative efforts to improve the delivery of health care. For example, CHI has expanded into additional programs like home health care that increase access to care, and it has supported programs that promote good health in its communities

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2 **by granting funds to support community initiatives and investing in organizations**
3 **that improve access to health care, education, housing and jobs.**

4 10. Why is the Applicant interested in acquiring Soundpath?

5 **In keeping with its goal to improve access to health care, CHI has expanded into**
6 **the delivery of care under Medicare Advantage and Medicaid health insurance**
7 **plans. CHI's insurance management operations are actively involved in Medicare**
8 **Advantage relationships on both the national and local level.**

9 **The acquisition of Soundpath will compliment CHI's current efforts to continue its**
10 **expansion into the Medicare Advantage market. In turn, the Applicant will ensure**
11 **that Soundpath is financially stable and able to meet policyholder demands as well**
12 **as its various regulatory obligations. The Applicant's goal is for Soundpath to**
13 **continue to serve Medicare Advantage beneficiaries well into the future.**

14 **III. Overview of the Acquisition**

15 11. Are you familiar with the Form A Statement Regarding the Proposed Acquisition of
16 Control of a Domestic Insurer dated October 19, 2012 that was filed by the Applicant
17 and the supplemental information that has been filed in connection with that Form A?

18 **Yes. I am familiar with the contents of the Form A that was filed with the**
19 **Washington Office of the Insurance Commissioner as well as the supplemental**
20 **information that has been filed.**

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12. In your opinion, do the Form A and the supplemental information that was filed in connection with the Form A accurately set forth a description of the proposed transactions?

Yes, the Form A accurately describes the proposed transactions.

13. Have there been any material changes to the information provided in the Form A and its supplemental information?

To the best of my knowledge, there have been no material changes.

14. What has been your role in the process with respect to the proposed acquisition of Soundpath by the Applicant?

I was part of the management team that evaluated Soundpath, its financial condition, and its position and reputation in the Medicare Advantage community. Once it was determined to proceed with a possible acquisition, I continued as a member of the acquisition team that performed the due diligence review, determined how the transaction would be structured, negotiated the various agreements and worked through the regulatory and compliance issues. I continue to be responsible, with others on the team, for overseeing and monitoring the acquisition.

15. Please provide a general description of the agreements that make up the proposed acquisition of Soundpath.

There are three purchase agreements that make up the proposed acquisition of Soundpath.

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The first is the Stock Purchase Agreement for Class A Shares in which the Applicant has agreed to acquire 55.6% of the issued and outstanding Class A Shares of capital stock of Soundpath by purchasing 309,400 Class A Shares from Northwest Physicians Network of Washington, LLC (otherwise referred to as NPN) and 196,560 Class A Shares from Physicians of Southwest Washington, L.L.C. (otherwise referred to as PSW). NPN and PSW will each place a portion of the sales proceeds into separate security reserve accounts that will be controlled jointly with Soundpath. The security reserve accounts will ensure that NPN and PSW are able to fully satisfy incurred but not reported claims arising from their capitated provider contracts with Soundpath.

The second purchase agreement is the Stock Purchase Agreement for Class R Shares. As of the Closing Date, Soundpath will authorize and issue a new class of preferred shares, Class R Shares, which will be sold only to the Applicant. The amount paid for the Class R Shares is to be set aside by Soundpath to meet its required reserves. After the Closing, Soundpath will make it a priority to build its own needed reserves through operations and will eventually redeem all of the issued and outstanding Class R Shares at face value with any necessary prior approval by the OIC.

The Asset Purchase Agreement is the third purchase agreement that is contemplated between the parties. On the Closing Date, the Applicant will purchase assets that are related to Soundpath's insurance administration

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capabilities. The proceeds from this sale will be used by Soundpath to increase its reserves.

IV. Effect of the Acquisition

16. What material changes are planned to the business operations and corporate structure of Soundpath?

With the exception of the amendments to the Amended and Restated Articles of Incorporation and the Amended and Restated Bylaws of Soundpath, Soundpath will maintain the same corporate structure after the acquisition. The proposed amendments to these two corporate documents relate to Soundpath's authorized capital, the Class R Preferred Stock, liquidation rights, preemptive rights, indemnification rights, meetings of shareholders and directors and voting rights.

There are a number of changes that are contemplated with respect to the business operations of Soundpath.

First, there will be a change in the officers and directors of the company. Exhibit 24 to the Form A contains a list of the proposed officers and directors.

Additionally, the appointment process for Soundpath's directors will change as the Applicant will have the right to appoint a majority of the directors. The Applicant will appoint at least five members to the Board, and the other two shareholders (NPN and PSW) will collectively appoint four members to the Board. The NPN and PSW appointees will be allocated based on their proportional ownership of

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Soundpath. As long as NPN and PSW each own at least 7% of the outstanding Class A shares of Soundpath, each will be able to appoint one director.

Regarding operations, after the Closing, the Applicant will provide all administrative services for Soundpath pursuant to an Administrative Services Agreement. The services to be provided by the Applicant include, but are not limited to, care management, claims adjudication, customer service and premium collection. The Administrative Services Agreement is discussed in the Form A filed by the Applicant as well as the Form D filed by Soundpath.

Claims services are currently provided by PSW. For a limited amount of time after the Closing, the Applicant will provide these services through PSW pursuant to an assignment of such agreement to the Applicant, which has been filed with the Form A.

The care management services that were provided by NPN terminated on December 31, 2012 when the agreement expired. These services are now being done by Soundpath and will transfer to the Applicant upon Closing pursuant to the proposed Administrative Services Agreement.

The Applicant will perform the services for Soundpath through individuals currently employed by Soundpath, who will eventually be hired by the Applicant. Until they are officially employees of the Applicant, the Applicant will lease their services through an Employee Lease Agreement with Soundpath, which is an exhibit to the Form A.

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17. Will Soundpath continue to have an operational presence in the State of Washington?

Yes. The Applicant will provide services to Soundpath after the closing through most of the individuals currently employed by Soundpath. Eventually, these employees will be directly hired by the Applicant, which will maintain an office location in Washington.

V. Statutory Standards

The following questions focus on criteria set forth by statute that the OIC must examine as it reviews a Form A Application.

18. Are you aware of the conditions in the three purchase agreements that are required to be completed prior to closing?

Yes. Each agreement contains a number of conditions that must be satisfied by the parties prior to closing.

19. After the pre-closing conditions have been met and the closing occurs, will Soundpath be able to satisfy the requirements for registration as a health care service contractor in Washington?

Yes. Soundpath will not only satisfy the requirements for registration as a health care service contractor, it will be a much stronger company after the acquisition. The proceeds from the Stock Purchase Agreement for Class R Shares and the Asset Purchase Agreement must be used by Soundpath to strengthen its reserves. Additionally, a portion of the proceeds from the Stock Purchase Agreement for

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Class A Shares must be set aside by the current two shareholders to ensure the financial obligations under their provider agreements.

20. Do you believe that the effect of the Applicant's acquisition of Soundpath would be to substantially lessen competition in insurance or create a monopoly in the health coverage business in this state?

No. The effect of the acquisition will not substantially lessen competition in the insurance industry nor will it create a monopoly in the health coverage business in the state.

21. Do you believe that the financial condition of the Applicant or Soundpath, on a post closing basis, would jeopardize the financial stability of Soundpath or prejudice the interests of any of its policyholders?

I do not. Soundpath will be financially stronger after the closing as a result of the contemplated transactions.

In regards to the Applicant, we have provided its opening balance sheet as an exhibit to the Form A. As demonstrated by the balance sheet, the Applicant is well-capitalized. The purchase price for the Class A and Class R shares of Soundpath stock as well as the purchase price for the assets will be paid entirely by the Applicant in cash. After the payment of the purchase price under each agreement, the Applicant will continue to be well-capitalized.

22. Does the Applicant have any current plans or proposals to liquidate Soundpath, sell its assets or consolidate or merge it with any person?

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The Applicant has no plans or proposals for Soundpath to liquidate Soundpath, sell its assets or merge it with any person or persons.

23. Does the Applicant have any plans or proposals for material changes in the business, corporate structure or management of Soundpath that would be unfair and unreasonable to its policyholders or contrary to the public interest?

No, the changes planned for the corporate structure, management and business operations of Soundpath are not unfair nor are they unreasonable to its policyholders or contrary to the public interest. To the contrary, these changes will strengthen Soundpath's ability to meet the needs of its policyholders.

The officers and directors of the applicant and its immediate parent have extensive experience in healthcare delivery and health plan management. This experience along with the Applicant's commitment to Soundpath's business, its members and its regulators will provide a strong foundation for Soundpath to continue to satisfy its regulatory, fiscal and fiduciary obligations while protecting the state and federal rights of Soundpath's Medicare Advantage beneficiaries.

24. Do you believe that the competence, experience and integrity of those persons who would control the operation of Soundpath are such that it would be contrary to the interest of policyholders of Soundpath or of the public to permit the Applicant's acquisition of Soundpath?

I do not. The proposed officers and directors of Soundpath and the officers and directors of the Applicant are of the highest integrity. My experience with these

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individuals has led me to believe that they all have the requisite competence and expertise to successfully operate and control the operations of Soundpath in a manner that is consistent with the interests of the policyholders and the public. I have full confidence in each of these individuals.

25. Do you believe that the Applicant's acquisition of Soundpath is likely to be hazardous or prejudicial to the insurance buying public?

I do not. To the contrary, Soundpath will be financially stronger after the acquisition.

26. Are you aware of any reasonable objection to the proposed transactions?

No.

27. Based on the record established by the Applicant through the filing of the Form A and subsequent supplemental information filed with the OIC, is it the view of the Applicant that the OIC has a sufficient record for the issuance of an order approving the proposed acquisition of control of Soundpath?

Yes. The Applicant believes that there is sufficient record for the OIC to conclude that none of the items in the relevant Washington statutory code section 48.31C.030, subsection 5, exist, which would prevent approval of the proposed acquisition.

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VI. Closing Remarks

28. Is there anything else that you would like to add to your testimony at this time?

Yes. On behalf of the Applicant, I want to thank you for conducting this hearing today. I would also like to thank the OIC officials who have worked with us throughout this process. We appreciate all of the time and effort of everyone involved in reviewing our Form A.

****The rest of this page is intentionally left blank. Signature page follows.****

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The above testimony is true, correct and complete to the best of my knowledge, information and belief and is given subject to the laws of perjury in the State of Washington.



Juan Ricardo Serrano
Chairman of the Board of Directors of the
Applicant

DATED this 20nd day of February 2013.

FILED

2013 FEB 26 P 12:45

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

Statement Regarding the Acquisition of
Control of or Merger with a Domestic
Health Carrier:

No. 13-0039

**PRE-FILED TESTIMONY OF MARK F.
BJORNSON**

SOUNDPATH HEALTH, INC., a
domestic Washington health care services
contractor

By.

COLLABHEALTH PLAN
SERVICES, INC. (the "Applicant")

PRE-FILED DIRECT TESTIMONY OF:

Mark F. Bjornson
Chief Executive Officer
CollabHealth Plan Services, Inc.

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I. Introduction

1. Please state your name for the record.

My name is Mark Fred Bjornson.

2. Please provide your business address.

**198 Inverness Drive West
Englewood, CO 80112**

3. What is your position with the Applicant?

I am the Chief Executive Officer and a member of the Board of Directors of the Applicant.

4. How long have you held these positions?

I have held these positions since the Applicant was formed on October 17, 2012.

5. What will be your position with Soundpath Health, Inc., otherwise referred to as Soundpath, once the transaction is completed?

I will be the Chairman of the Board of Directors of Soundpath.

6. Please describe your educational background.

I graduated from the University of Minnesota with a Bachelor of Science degree in Management and a Master of Business Administration in Finance.

7. Please describe your experience in the insurance industry.

I have spent my entire career in the insurance industry beginning with Prudential in 1987 where I started as an underwriter and then was promoted to Director of Underwriting. I moved to UnitedHealthcare in 1994 and had various titles over the

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2 years including Director of Underwriting; Vice President of Finance; Western
3 Regional Vice President; Vice President, Medicare Expansions; and Vice President
4 of Dual Product. In 2011, I moved to Catholic Health Initiatives in the Payer
5 Strategy and Operations group as Vice President.

6 **II. Background of the Applicant**

7 8. Please describe generally the business of the Applicant and insurance industry
8 experience of the Applicant.

9 **The Applicant was formed on October 17, 2012 in order to facilitate the acquisition**
10 **of Soundpath. The Applicant's ultimate parent company is Catholic Health**
11 **Initiatives, otherwise referred to as CHI. CHI has extensive experience in the**
12 **insurance industry. CHI is the largest shareholder of Preferred Professional**
13 **Insurance Company, otherwise known as PPIC, a property and casualty insurance**
14 **company domiciled in Omaha, Nebraska. As of June 1, 2012, PPIC had total assets**
15 **of \$377 million and policyholder surplus of \$167 million. It is licensed to write**
16 **business in all fifty states.**

17 **CHI and its predecessor systems have also owned and operated captive insurance**
18 **companies since the late 1980s. The organization's current captive insurance**
19 **company, First Initiatives Insurance, Ltd. or FIIL, was formed in 1997. As of June**
20 **30, 2012, FIIL had total assets of \$748 million and policyholder surplus of \$284**
21 **million. FIIL provides fourteen different property and casualty coverages to CHI**
22 **via insurance or reinsurance, including hospital professional liability; commercial**
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general liability; workers' compensation; employment practices liability; property, boiler and machinery coverage; surety bonds; and medical equipment extended warranty. Because FHL is a captive insurance company, CHI's staff provides all insurance functions including underwriting, claims management, information systems management, loss prevention and risk management services.

CHI also owns and operates a captive management company, Captive Management Initiatives. This organization provides bookkeeping, financial reporting, client advocacy, and insurance consulting to FHL and third party captives.

Finally, CHI has invested in developing a health insurance management organization with extensive experience in executive and operational management of commercial and managed Medicaid health insurance plans, with particular depth of experience in managing Medicare Advantage programs. The organization's insurance management operations are actively involved in Medicare Advantage relationships with national and local health plans.

9. How will CHI's experience in the insurance industry affect Soundpath?

The combination of CHI's experience, skills, and assets in healthcare delivery and health plan management will be passed on to the Applicant so that Soundpath may successfully continue to serve Medicare Advantage beneficiaries well into the future.

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III. Overview of the Acquisition

Are you familiar with the Form A Statement Regarding the Proposed Acquisition of Control of a Domestic Insurer dated October 19, 2012 that was filed by the Applicant and the supplemental information that has been filed in connection with that Form A?

Yes. I am familiar with the contents of the Form A and the supplemental information that was filed with the Washington Office of the Insurance Commissioner.

10. In your opinion, do the Form A and the supplemental information that was filed in connection with the Form A set forth an accurate description of the proposed transactions?

Yes, the Form A accurately describes the proposed transactions.

11. Have there been any material changes to the information provided in the Form A and its supplemental information?

To the best of my knowledge, there have been no material changes.

12. What has been your role in the process with respect to the proposed acquisition?

I have been integrally involved in all aspects of the proposed acquisition including taking part in the due diligence review of Soundpath, working with counsel to negotiate the three purchase agreements and ensuring that all regulatory and compliance requirements are met. Additionally, I am primarily responsible for ensuring a smooth transition after the closing of the transaction.

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2 13. Please provide a general overview of the proposed acquisition of Soundpath.

3 **There are three purchase agreements that make up the proposed acquisition of**
4 **Soundpath. The first is the Stock Purchase Agreement for Class A Shares in which**
5 **the Applicant has agreed to acquire 55.6% of the issued and outstanding Class A**
6 **Shares of capital stock of Soundpath from Northwest Physicians Network, LLC or**
7 **NPN, as it is sometimes referred to, and Physicians of Southwest Washington,**
8 **L.L.C. or PSW. The second purchase agreement is the Stock Purchase Agreement**
9 **for Class R Shares, in which the Applicant will purchase newly authorized and**
10 **issued shares of Class R shares of stock. The Asset Purchase Agreement is the**
11 **third purchase agreement in which the Applicant has agreed to purchase all of**
12 **Soundpath's assets that are related to Soundpath's insurance administration**
13 **capabilities.**

14 **A portion of the sales proceeds from the sale of Class A shares as well as all of the**
15 **proceeds from the sale of the Class R shares and Soundpath's assets will be**
16 **maintained as reserves to strengthen NPN's, PSW's and Soundpath's financial**
17 **obligations to policyholders.**

18 **IV. Reinsurance**

19 14. The OIC has taken the position that Soundpath is not entitled to utilize the reinsurance
20 method of accounting with respect to its reinsurance agreement with Canada Life
21 Assurance Company. Specifically, the OIC contends that all of Soundpath's risk has
22 been transferred to its capitated providers; therefore, there is no risk that has been
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2 transferred under the Canada Life agreement. As a result, the OIC has directed
3 Soundpath to use the deposit method of accounting for this agreement. What is the
4 Applicant's position on this issue?

5 **It is my understanding that Soundpath's first quarter statutory statement for the**
6 **period ending March 31, 2013 will reflect the deposit method of accounting. It is**
7 **also my understanding that Soundpath will undertake the appropriate steps to**
8 **terminate the reinsurance agreement in accordance with its terms at the earliest**
9 **possible date following the closing of the proposed acquisition. The Applicant is in**
10 **agreement with both of these actions.**

11 **V. Financial Issues and Related Hearing Requests**

12 15. The OIC and Soundpath have had various correspondence over the past year regarding
13 the financial position of Soundpath. Has Soundpath shared with you how the proposed
14 acquisition will affect its financials?

15 **Soundpath has shared with the Applicant its estimates as to how its financials will**
16 **be affected by the acquisition. Specifically, Soundpath estimates that post-closing**
17 **its total adjusted capital and surplus will be \$19,011,539 with a resulting risk-based**
18 **capital of 519.70%. Its premium to surplus ratio for 2012 is projected to be 7.58.**
19 **For 2013, it is projected to be 7.52.**

20 16. Are you aware of the two requests for a hearing filed by Soundpath in Docket Nos. 12-
21 0335 and 12-0154?

22 **Yes.**

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17. What is the Applicant's position with respect to those hearing requests?

In a meeting with the OIC on October 19, 2012 during which I and several others met with individuals at the OIC to deliver the Form A, Jim Odiorne, the Deputy Commissioner, advised that assuming the OIC approved the proposed acquisition and assuming the transactions closed as planned, the OIC did not intend to pursue any adverse action against Soundpath based on the issues raised in his letter to Soundpath dated April 3, 2012. That conversation gave the Applicant the assurances it needed to move forward with the proposed acquisition. Furthermore, the Applicant believes that the appropriate position of Soundpath following the closing date of the proposed acquisition is to withdraw its requests for a hearing as long as the OIC continues its position that no adverse action will be taken regarding the matters that are set forth in the requests for a hearing.

VI. Statutory Standards

The following questions focus on criteria set forth by statute that the OIC must examine as it reviews a Form A Application.

18. Are you aware of the conditions in the three purchase agreements that are required to be completed prior to closing?

Yes. There are a number of conditions that must be satisfied prior to the closing as set forth in the purchase agreements.

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19. In your view, after the pre-closing conditions are met and the proposed transactions have been completed, will Soundpath be able to satisfy the requirements for registration as a health care service contractor?

Yes.

20. Do you believe that the effect of the Applicant's acquisition of Soundpath would be to substantially lessen competition or tend to create a monopoly in the health coverage business in this state?

No, I do not believe the effect of this acquisition will be to substantially lessen competition nor will it tend to create a monopoly in Washington.

21. Do you believe that the financial condition of the Applicant or Soundpath, on a post-closing basis, would jeopardize the financial stability of Soundpath or prejudice the interest of any of its policyholders?

No, I do not. To the contrary, the contemplated transactions will ensure the financial stability of Soundpath so that it is able to meet its obligations to policyholders, the public and its regulatory authorities.

22. Does the Applicant have any current plans or proposals to liquidate Soundpath, sell its assets or consolidate or merge it with any person?

No. The Applicant has no current plans to do any of the above.

23. Does the Applicant have any plans or proposals for material changes in the business, corporate structure or management of Soundpath that would be unfair or unreasonable to its policyholders or contrary to the public interest?

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No. The plans and proposals set forth in the Form A are not unfair nor are they unreasonable with respect to policyholders or the public interest. Rather, the plans and proposals are intended to strengthen Soundpath for years to come.

24. Do you believe that the competence, experience and integrity of those persons who would control the operation of Soundpath are such that it would be contrary to the interest of policyholders of Soundpath or of the public to permit the Applicant's acquisition of Soundpath?

I do not. As the proposed Chairman of Soundpath's Board of Directors, I have been a part of the team responsible for choosing competent and experienced individuals to guide, direct and lead Soundpath following the closing. I have full confidence in each of these individuals who have demonstrated a high level of integrity, experience and competence in the insurance industry.

25. Do you believe that the Applicant's acquisition of Soundpath is likely to be hazardous or prejudicial to the insurance buying public?

I do not. To the contrary, Soundpath will be much stronger after the acquisition.

26. Have you received, or are you aware of, any reasonable objection to the proposed transactions?

No.

27. Based on the record established by the Applicant through the filing of the Form A and subsequent supplemental information filed with the OIC, is it the view of the Applicant

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that the OIC has a sufficient record for the issuance of an order approving the proposed acquisition of control of Soundpath?

Yes. The Applicant believes that there is sufficient record for the OIC to conclude that none of the items in statutory code section 48.31C.030, subsection 5, exist, which would prevent approval of the proposed acquisition.

VII. Closing Remarks

28. Does this conclude your testimony?

Yes. Thank you for the opportunity to be here today. And, thanks to you as well as everyone at the OIC for all of the time and effort that you've put into the review of our Form A.

****The rest of this page is intentionally left blank. Signature page follows.****

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The above testimony is true, correct and complete to the best of my knowledge, information and belief and is given subject to the laws of perjury in the State of Washington.



Mark Fred Bjornson
Chief Executive Officer of the Applicant

DATED this 24th day of February 2013.