BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Proposed Acquisition
and Control of:

GROUP HEALTH COOPERATIVE

By

KAISER FOUNDATION HEALTH PLAN
OF WASHINGTON

the Applicant

Karen D. Heburn, under penalty of perjury under the laws of the State of Washington declares as follows:

1. I am a Manager with Risk & Regulatory Consulting ("RRC"). 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.

2. I am a graduate of Florida State University, where I earned a Bachelor of Science Degree in Accounting and Finance in 1991. I received my CPA license in 1998.

3. My previous employment includes the Florida Department of Insurance (FDOI) from 1995 to 2000 in the position of Financial Administrator. My primary duties as the Financial Administrator consisted of conducting reviews of insurers for financial solvency, recommendations on applications for Certificates of Authority and reviewing and recommending FDOI staff’s position on proposed requests for insurance company acquisitions and mergers. Additionally, my employment at FDOI included the position of the Director of Accounting for the Division of Rehabilitation and Liquidation from 2000 to 2004.

4. On March 1, 2016, The Form E, Pre-Acquisition Notification Form Regarding the Potential Competitive Impact of a Proposed Merger or Acquisition by a Non-Domiciliary Insurer Doing Business in This State or By a Domestic Insurer dated February 26, 2016 was submitted to the Office of the Insurance Commissioner ("OIC") by Applicant’s legal counsel. On March 24, 2016 the OIC sent a letter to the Applicant’s counsel advising that the OIC wanted to offer some comments and make a
request for additional information as it relates to the market analysis. I reviewed the Form E Filing and the March 24, 2016 OIC letter.

5. On May 17, 2016, the OIC received the Applicant’s response to the OIC’s March 24, 2016, deficiency letter. The Applicant’s response indicated that an economist was retained to assist with the additional questions raised in the March 24, 2016 deficiency letter. I reviewed the May 17, 2016, response received from the Applicant.

6. On June 3, 2016, Applicant’s legal counsel responded to the OIC March 24, 2016 letter. The response included a 125 page Expert Report of Monica Noether, Ph.D., including exhibits and a report of Ms. Noether’s credentials and professional experience. Ms. Noether is a vice president of Charles River Associates, an economic consulting firm headquartered in Boston, Massachusetts. This information was reviewed at a high level and there was nothing in the report that raised concerns.

7. On March 1, 2016, the Applicant, a Washington non-profit corporation that currently has no operations, filed an application, or Form F Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer Filing of the Applicant (“Form A”). In the Form A, the Applicant seeks the OIC’s approval to acquire control of Group Health Cooperative (“GHC”), a Washington non-profit corporation.

8. On March 17, 2016 a Request for Proposal was submitted to engage RRC to provide accounting services in connection with the Applicant’s proposed acquisition of GHC and the proposal was accepted by the OIC.

9. On July 27, 2016, the OIC began loading documentation on a secure RRC site for purposes of an accounting review of the Form A and Form E. Such documentation included, but is not limited to, Form A, Form E, financial statements, stock purchase agreement, escrow agreement, legal documents and agreements, organizational charts, officer and director/trustee biographical affidavits and background checks, fairness opinion, board minutes and correspondence between the Applicant and OIC. I reviewed this documentation and based upon my review, I requested further information from the Applicant’s legal counsel. I also reviewed the documentation to determine if the documents provided met the standards proscribed by statutes RCW 48.31B.020 and RCW 48.31B.020, the proposed NAIC Best Practices for Form A Reviews and the Request for Proposal indicated deficiencies or questions. I followed up on the responses to the deficiencies or questions until the responses were satisfactory. At this point, I prepared a report for the OIC outlining any concerns or recommendations for resolutions.

10. The Applicant and GHC entered into a Stock Purchase Agreement dated December 2, 2015 where the Applicant would acquire GHC and cause all outstanding membership interests to be terminated and then shall cause a sole corporate member interest of the GHC to be issued to the Applicant subject to the approval of the regulatory authorities. Exhibits and other documentation were provided to support this transaction and the other transactions outlined in the Stock Purchase Agreement. The details of the transactions are discussed in the “Kaiser Foundation Health Plan of Washington Form A Filing to Acquire Group Health Cooperative Form A Filing Report” (“RRC Report”) dated October 26, 2016 which was prepared and submitted to the OIC by RRC.

11. On June 15, 2016 at 6:03 pm a public hearing was held at the Hotel Murano, 1320 Broadway, Tacoma, Washington and a transcript of the hearing was posted to OIC’s website. There were 12 public speakers and none of the speakers stated that they were against the proposed acquisition. The comments made by the speakers were taken in to account when preparing the RRC Report.
12. On June 29, 2016 at 6:08 pm a public hearing was held at the Best Western Executive Inn, 200 Taylor Avenue North, Seattle, Washington and a transcript of the hearing was posted to OIC’s website. There were 17 public speakers and none of the speakers stated that they were against the proposed acquisition. The comments made by the speakers were taken into account when preparing the RRC Report.

13. On July 27, 2016 at 5:01 pm a public hearing was held at the Double Tree by Hilton, Spokane City Center, Spokane, Washington and a transcript of the hearing was posted to OIC’s website. There were 10 public speakers and none of the speakers stated that they were against the proposed acquisition. The comments made by the speakers were taken into account when preparing the RRC Report.

14. On August 18, 2016, RRC sent a letter to the Applicant’s counsel advising that the OIC had sent a correspondence to the Applicant on March 24, 2016 and that the counsel had provided a response to the inquiries on April 15, 2016 along with further information. This information had been reviewed by RRC and generated further inquiries.

15. On August 26, 2016, RRC received the Applicant’s response to the RRC’s August 18, 2016, deficiency letter.

16. On October 7, 2016, all requested information related to the Form A and Form E had been received by the Applicant’s legal counsel.

17. On October 26, 2016, I submitted the RRC Report to the OIC which included the following sections: Executive Summary, Background, Legal Analysis, Financial Condition, Trustworthiness, Plan of Operations, and Source of Funding for the Acquisition, Fairness of Consideration, Effect on Competition and Potential Hazard to Policyholders.

SIGNED this 20th day of December, 2016.

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

12/20/16 Portland, OR

Date and Place

Karen D. Heburn