

BEFORE THE INSURANCE COMMISSIONER  
OF THE  
COMMONWEALTH OF PENNSYLVANIA

**In Re:** : **Pursuant to Sections 1401, 1402**  
: **and 1403 of the Insurance Holding**  
**Application of Medical Mutual of** : **Companies Act, Article XIV of the**  
**Ohio in Support of the Request for** : **Insurance Company Law of 1921, Act**  
**Approval to Acquire Control of** : **of May 17, 1921, P. L. 682, as**  
**Paramount Care of Pennsylvania, Inc.** : **amended, 40 P.S. §§991.1401,**  
: **991.1402 and 991.1403 and the Health**  
: **Maintenance Organization Act, 40**  
: **P.S. 1551-1567.**

**Order No. ID-RC-24-04-01**

**DECISION AND ORDER**

AND NOW, on this 30th day of April, 2024, Michael Humphreys, Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”), hereby makes the following Decision and Order:

Pursuant to the Insurance Holding Companies Act and in consideration of the documents, presentations and reports received, as well as other inquiries and studies as permitted by law, the Commissioner hereby makes the following findings of fact:

**FINDINGS OF FACT**

**Identity of Parties**

**Identity of PA Domestic Insurer**

1. Paramount Care of Pennsylvania, Inc. (“Paramount”) is a domestic for-profit health maintenance organization organized under the laws of the Commonwealth of Pennsylvania with its statutory home office located in Toledo, Ohio.
2. ProMedica Insurance Corporation (“PIC”) is a non-profit corporation organized under the laws of the state of Ohio with its principal place of business in Toledo, Ohio. PIC is the sole member of Paramount.
3. ProMedica Health System, Inc. (“ProMedica”) is a non-profit holding company organized under the laws of Ohio with its principal place of business in Toledo, Ohio. ProMedica is the sole member of PIC.

4. ProMedica is the ultimate controlling person of Paramount.

#### **Identity of Applicants**

5. Medical Mutual of Ohio (“Medical Mutual”) is a mutual casualty insurance company organized under the laws of the State of Ohio with its principal place of business in Cleveland, Ohio.
6. Medical Mutual is owned by its policyholders.

#### **Acquisition Filing**

7. The Insurance Holding Companies Act, Article XIV of the Insurance Company Law of 1921, Act of May 17, 1922, P.L. 682, as amended, 40 P.S. §§991.1401 et seq. (“Insurance Holding Companies Act”), provides that all changes in control of domestic insurers must be filed with the Commissioner for approval or disapproval.
8. On February 1, 2024, the Insurance Department of the Commonwealth of Pennsylvania (“Department”) received an application (which together with all material received subsequently is hereinafter referenced as “Application”) from the Applicant for approval to acquire control of Paramount.
9. The Application was filed pursuant to Section 1402 of the Insurance Holding Companies Act.

#### **Department Procedures**

10. On February 17, 2024, the Department published notice in the *Pennsylvania Bulletin* that the Application was submitted by Medical Mutual and such notice invited interested persons to submit comments to the Department regarding the Application for thirty days following the date of the publications (“Comment Period”).
11. The Department received no comments regarding the Application during the Comment Period.

#### **Description of the Proposed Acquisition**

12. As described in the Application, Paramount, PIC, and ProMedica have entered into a Purchase Agreement (“the Agreement”) with Medical Mutual.

13. As described in the Application and pursuant to the Agreement, Medical Mutual will purchase all of the issued and outstanding shares of capital stock of Paramount (the “Transaction”).
14. As described in the Application and pursuant to the Agreement, the proposed Acquisition is a cash transaction whereby Medical Mutual will pay a dollar amount for Paramount and six affiliates (the “Transaction”).
15. The dollar amount for the seven affiliates is equal to:
  - a. One Hundred Twenty-Five Million Dollars (\$125,000,000);
  - b. Plus any Risk-Based Capital Adjustment Overage;
  - c. Minus any Risk-Based Capital Adjustment Underage;
  - d. Minus Transaction Expenses, and;
  - e. Minus the Escrow Amount.
16. As described in the Application, the ultimate controlling person of Paramount after the Transaction is effectuated will be Medical Mutual.

#### **Standards for Review**

17. Section 1402(f)(1) of the Insurance Holding Companies Act establishes the standards for approval of an application for a change in control of a domestic insurer.
18. An application for a change in control must be approved unless the Department finds any one of certain enumerated conditions to be present.

#### **Licensing Requirements**

19. When analyzing an application for change in control under Section 1402 of the Insurance Holding Companies Act, the Commissioner reviews the requirements for continued licensure of the domestic insurer being acquired.
20. Specifically, the Department reviews whether the domestic insurer would 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 after the acquisition.
21. A health maintenance organization licensed in Pennsylvania must demonstrate the adequacy of working capital and funding sources in accordance with 40 P.S. § 1555.1 (b)(2)(i).

22. To protect against insolvency, an operational health maintenance organization must maintain minimum net worth equal to the greater of \$1,000,000 or three months uncovered health care expenditures for Pennsylvania enrollees as reported on the most recent financial statement filed with the commissioner, in accordance with requirement of 31 Pa. Code § 301.121.
23. Upon completion of the Acquisition, Paramount will have the minimum net worth to satisfy the requirements to operate as a health maintenance organization.

### **Competitive Impact**

24. The acquisition of control of a Pennsylvania domiciled insurer is subject to review and analysis under Section 1402(f)(1)(ii) of the Insurance Holding Companies Act to determine whether the effect of the acquisition of control of Paramount would be to substantially lessen competition in this Commonwealth or tend to create a monopoly therein, as per 40 P.S. §991.1402(f)(1)(ii) (the “competitive standard”).
25. In applying the competitive standard, the informational requirements of Section 1403(c)(2) and the standards of Section 1403(d)(2) are applicable.
26. No analysis was completed to determine whether the effect of the acquisition of control of Paramount would be to substantially lessen competition in the Commonwealth because Paramount is not and has not conducted business.
27. Based upon the information submitted by Medical Mutual, the Department has not found that there is substantial evidence of anti-competitive effect.

### **Financial Condition of Applicant**

28. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the financial condition of the \_\_\_\_\_ acquiring \_\_\_\_\_ person(s).
29. The Department has reviewed the financial information submitted by Medical Mutual.
30. The financial condition of Medical Mutual would not pose any impediments to the change in control nor jeopardize the financial condition of Paramount.

### **Plans for the Acquired Insurers**

31. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the plans or proposals which the acquiring party has for the insurer (40 P.S. § 991.1402).

32. In particular, the Department reviewed the plans or proposals which the acquiring party has to liquidate the insurers, sell their assets or consolidate or merge them with any person, or to make any other material changes in their business or corporate structure or management, to determine whether it is:
- a. Unfair or unreasonable;
  - b. Fails to confer a benefit upon policyholders; or
  - c. Not in the public interest.
33. As stated in the Application, Medical Mutual has no immediate plans or proposals to liquidate Paramount, to sell its assets, to merge or consolidate it with any person or persons or to change its corporate structure.
34. As stated in the Application, Paramount currently has no employees.
35. As stated in the Application, Medical Mutual will replace the current officers and directors as of the effective date of the Transaction.
36. There is no basis in the record from which it may be concluded that the plans or proposals which the acquiring party has for the insurers are unfair or unreasonable or fail to confer a benefit upon policyholders or are not in the public interest.

**Management**

37. When analyzing an application for an acquisition of control under Section 1402 of the Insurance Holding Companies Act, the Department reviews the competence, experience and integrity of the persons who will control the operations of the acquired insurer (40 P.S. § 991.1402(f)(1)(v)).
38. Biographical affidavits for all directors and executive officers of Medical Mutual were reviewed by the Department.
39. The Department is satisfied that the persons who would control the operations of Paramount have such competence, experience and integrity that the interests of policyholders and the public would not be jeopardized.

**Hazardous or Prejudicial to Insurance Buying Public**

40. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department

evaluates whether the merger, consolidation or other acquisition of control is likely to be hazardous or prejudicial to the insurance buying public (40 P.S. § 991.1402(f)(1)(vi)).

41. There is insufficient evidence in the record from which it may be concluded that the merger will likely be hazardous or prejudicial to the insurance buying public.

#### **Compliance with the Pennsylvania Laws**

42. When analyzing an application for an acquisition of control involving a domestic insurer under Section 1402 of the Insurance Holding Companies Act, the Department reviews the transaction to determine whether the merger, consolidation or other acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A (40 P.S. § 991.1402(f)(1)(vii)).
43. The Department has evaluated the transaction as set forth by the Application as to whether it is in compliance with the laws of Pennsylvania.
44. As an ultimate controlling person, Medical Mutual will be responsible for complying with Insurance Holding Company Act filing requirements.
45. If any of the above Findings of Fact are determined to be Conclusions of Law, they shall be incorporated in the Conclusions of Law as if fully set forth therein.

#### **CONCLUSIONS OF LAW**

1. Under Section 1402 of the Insurance Holding Companies Act, the Department has jurisdiction to review and approve the change in control of Paramount.
2. Under Section 1402 of the Insurance Holding Companies Act, the Department must approve an application for a change in control unless the Department has found that:
  - a) The insurer will not be able to satisfy the requirements for the issuance of a license to operate the line or lines of business for which they are presently licensed;
  - b) The change in control will substantially lessen competition in insurance in this Commonwealth or tend to create a monopoly therein;
  - c) The financial condition of the acquiring company is such as might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders;

- d) Any plans to liquidate the insurer, sell its assets or consolidate or merge it with any person, or to make material changes in its business or corporate structure or management are unfair and unreasonable to policyholders of the insurer and not in the public interest;
  - e) 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 and the general public to permit the acquisition of control; or,
  - f) The acquisition is likely to be hazardous or prejudicial to the insurance buying public.
  - g) The acquisition of control is not in compliance with the laws of this Commonwealth, including Article VIII-A, Insurance Company Mutual-to-Stock Conversion Act.
3. Under Section 1402 of the Insurance Holding Companies Act, the Commissioner has not found that any of the above conditions are present with respect to the change in control \_\_\_\_\_ of \_\_\_\_\_ Paramount.
4. If any of the above Conclusions of Law are determined to be Findings of Fact, they shall be incorporated in the Findings of Fact as if fully set forth therein.

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**Order No. ID-RC-24-04-01**

**ORDER**

Upon consideration of the foregoing, the Insurance Commissioner of the Commonwealth of Pennsylvania (“Commissioner”) hereby makes the following Order:

The application of Medical Mutual of Ohio (“Medical Mutual”) in support of the request for approval to acquire control of Paramount Care of Pennsylvania, Inc. (“Paramount”) as set forth in the application, is hereby approved, subject to this Order and the following conditions:

1. Medical Mutual shall provide to the Department a list of closing documents within five (5) days after consummation of the subject transaction and shall maintain the listed documents and make them available to the Department for a period of not less than five (5) years from the date of consummation.
2. For five (5) years following the effective date of the acquisition, Paramount will maintain an RBC of at least 350% and Paramount shall thereafter maintain an RBC of at least 325%.
3. For five (5) years following the effective date of the acquisition, Paramount will be prohibited from declaring or paying any dividends, returns of capital or any other type of distributions, without the prior approval of the Commissioner, unless said distribution has been approved by the Department as a transaction between affiliates filed under the Insurance Holding Companies Act, Article XIV of the Insurance



Company Law of 1921, Act of May 17, 1921, P.L. 682, as amended, 40 P.S. §§991.1401 et seq.

4. For five (5) years following the effective date of the acquisition, Paramount shall not voluntarily withdraw its certificate of authority to engage in the business of insurance in the Commonwealth of Pennsylvania.
5. For five (5) years following the effective date of the acquisition, Paramount shall not attempt to or actually redomesticate to another jurisdiction.
6. Prior to Paramount writing or assuming business while remaining a Pennsylvania domestic and Medical Mutual its parent, Medical Mutual will ensure that Paramount has a meeting with the Department and provides detailed business plans, projections including RBC, capital maintenance and related information as requested by the Department, to be received and occur no less than 30-days prior to the resumption of writing.

This Order is conditioned upon Medical Mutual receiving all approvals required under applicable laws and regulations to consummate such acquisition, including but not limited to, state regulatory and other governmental approvals.

This order is effective immediately and valid for thirty (30) days, provided no material changes are made to the transaction prior to consummation. This thirty (30) day limitation does not apply to any conditions prescribed by the Department in the Order.



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Michael Humphreys  
Insurance Commissioner  
Commonwealth of Pennsylvania