

FORM A

**STATEMENT REGARDING THE ACQUISITION OF CONTROL OF
OR MERGER WITH A DOMESTIC INSURER**

**MERCYCARE INSURANCE COMPANY
and
MERCYCARE HMO, INC.**

by

MERCYCARE MERGER SUB, INC.

Filed with the Office of the Commissioner of Insurance, State of Wisconsin

Date: December 13, 2023

Name, title, address telephone number and email address of individuals to whom notices and

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Currently, MercyCare Insurance Company, a Wisconsin stock insurance corporation (“MCIC”) and its subsidiary, MercyCare HMO, Inc., a Wisconsin stock health maintenance organization insurer (“MCHMO”), offer a joint point-of-service (“POS”) product. The Program Agreement governing this joint offering provides that MCHMO writes the in-network portion of the product and MCIC writes the out-of-network portion of the product. MCHMO and MCIC propose to terminate the Program Agreement and transition the one group with the joint POS product to an MCHMO-only POS product. In addition, 14 groups have preferred provider (“PPO”) plans written solely by MCIC. Under this business plan change, these PPO plans will also be written solely by MCHMO.

Under the MCHMO-only POS and PPO products, MCHMO will write both the in-network portion of the product and the out-of-network portion of the product in separate group policies (but just one certificate for enrollees). MCHMO would apply the usual 3% compulsory surplus factor to the in-network portion of the premium and the 10% compulsory surplus factor to the out-of-network portion of the premium. The in-network portion of the premium would not count toward the 10% limit on non-HMO business applicable to HMO insurers.

Given the reduction in the business written by MCIC, the companies propose to make MCIC a subsidiary of MCHMO as described immediately below.

MCIC, and MercyCare Merger Sub, Inc., a Wisconsin business corporation (“Merger Sub” or the “Applicant”), have entered into an Agreement and Plan of Merger dated December 13, 2023 (the “Plan of Merger”) under which Merger Sub and MCIC will merge into a single corporation, by Merger Sub merging with and into MCIC, which shall be the surviving corporation (the “Proposed Merger”).¹ Following the consummation of the Proposed Merger, MCIC would be wholly owned by MCHMO, and MCHMO would be wholly owned by MCIC’s current direct parent, Mercy Health System Corporation, a Wisconsin non-stock, tax-exempt corporation (“MHSC”).

This Form A statement regarding the acquisition of control of or merger with a domestic insurer (including all exhibits, this “Form A”) seeks the approval of the Office of the Commissioner of Insurance of the State of Wisconsin (the “Office”) pursuant to Wis. Stat. § 611.72 and related regulations, including Wis. Admin. Code § Ins 40.02, for the Proposed Merger of Merger Sub with and into MCIC.

¹ As a precedent for merging a business corporation into an insurance corporation, see the Form A dated November 30, 2009 regarding Children’s Community Health Plan Inc. and the letter dated December 15, 2009 from Tim Vande Hey of OCI approving the merger.

ITEM 1. INSURER AND METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and briefly describe how control is to be acquired.

This Form A relates to the Proposed Merger of MercyCare Merger Sub, Inc., a Wisconsin business corporation with and into MercyCare Insurance Company, a Wisconsin stock insurance corporation. Currently, MCIC owns all issued and outstanding shares of stock of MercyCare HMO, Inc., a Wisconsin stock health maintenance organization insurer. The address for both MCIC and MCHMO is 580 N Washington, Janesville, WI 53542.

Currently, MCIC is a wholly-owned subsidiary of MHSC. MCIC owns all issued and outstanding shares of stock of MCHMO. MCHMO organized Merger Sub as a wholly-owned subsidiary. Merger Sub proposes to effectuate the Proposed Merger pursuant to the Plan of Merger included as Exhibit A.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) *State the name and address of the applicant seeking to acquire control over the insurer.*

MercyCare Merger Sub, Inc.
580 N Washington
Janesville, WI 53545

(b) *If the applicant is not an individual, state the nature of its business operations for the past 5 years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.*

MCHMO formed Merger Sub on December 8, 2023 to facilitate the Proposed Merger as a tax-free reorganization. As part of the Proposed Merger and pursuant to the Plan of Merger, Merger Sub will merge with and into MCIC, with MCIC remaining as the surviving corporation. Therefore, as a result of and following the consummation of the Proposed Merger, Merger Sub will cease to exist as a separate legal entity.

Following the Proposed Merger, MCHMO and MCIC will continue their existing business, except that they propose to terminate the POS Program Agreement and transition the group with the joint POS plan and the groups with PPO plans to MCHMO-only POS and PPO plans, respectively.

Under the MCHMO-only POS and PPO plans, MCHMO will write both the in-network portion of the plans and the out-of-network portion of the plans in separate group policies (but just one certificate for enrollees). MCHMO would apply the usual 3% compulsory surplus factor to the in-network portion of the premium and the 10% compulsory surplus factor to the out-of-network portion of the premium. The in-network portion of the premium would not count toward the 10% limit on non-HMO business applicable to HMO insurers.

(c) *Furnish a chart or listing clearly presenting the identities of the interrelationships among the applicant and all affiliates of the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g., corporation, trust, partnership) and the state of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.*

An organizational chart presenting the identities of the interrelationships among MCIC, MCHMO and their affiliates before and after the Proposed Merger is included as Exhibit B. No court proceedings involving a reorganization or liquidation are pending with respect to Applicant or any of its affiliates.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

On the biographical affidavit, include a third party background check and state the following with respect to (1) the applicant if the applicant is an individual or (2) all persons who are directors, executive officers or owners of 10% or more of the voting securities of the applicant if the applicant is not an individual.

(a) *Name and business address;*

(b) *Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;*

(c) *Material occupations, positions, offices or employment during the last 5 years, giving the starting and ending dates of each and the name, principal business and address of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required licensing by or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection with the license or registration whether pending or concluded.*

(d) *Whether or not such person has ever been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.*

The directors and executive officers of Merger Sub and its ultimate controlling person, Mercy Health Corporation, an Illinois non-stock corporation (“MHC”), are set forth in Exhibit C. The requested information for such Merger Sub directors and executive officers is set forth in the biographical affidavits referenced in Exhibit C, and the requested information for such MHC directors and executive officers is set forth in the most recent Form B filed by MCIC and

MCHMO, all of which is incorporated by reference pursuant to Wis. Admin. Code § Ins 40.12(1).

Upon information and belief, no person listed in this Item 3 has ever been convicted in a criminal proceeding (excluding traffic violations not involving death or injury) during the last 10 years.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) *Describe the nature, source and amount of funds or other considerations used, or to be used, in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.*

There are no funds or other considerations to be used in effecting the Proposed Merger. Under Section 3.1 of the Plan of Merger included as Exhibit A, under the Proposed Merger (i) the 10,000 outstanding shares of stock of MCIC, all of which are currently held by MHSC, will be converted into the right to receive, and will be exchanged for, 100 shares of stock of MCHMO;² (ii) the 100 outstanding shares of MCHMO, all of which are currently held by MCIC, will be cancelled; and (iii) the 10,000 outstanding shares of stock of Merger Sub, all of which are currently held by MCHMO, will be automatically converted into 10,000 shares of stock of MCIC. The result is that MCHMO will be a direct subsidiary of MCHS and MCIC will be a direct subsidiary of MCHMO after the Proposed Merger.

(b) *Explain the criteria used in determining the nature and amount of such consideration.*

Not applicable, as there is no consideration involved in this internal transaction. However, the parties have consulted their tax and legal advisors in structuring the Proposed Merger.

ITEM 5. APPLICANT'S FUTURE PLANS FOR THE INSURER

Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate the insurer, to sell the insurer's assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.

There are no plans or proposals to cause the insurer to declare an extraordinary dividend, to liquidate the insurer, to sell the insurer's assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management except as described in this Form A.

² Under Section 3.2 of the Plan of Merger, (i) MHSC will surrender to MCIC for cancellation its certificate for the shares of MCIC stock MHSC holds, and (ii) MCHMO will issue to MCHS 100 shares of MCHMO stock.

The only plan for a material change in their operations is that MCHMO and MCIC propose to terminate the Program Agreement and transition the group with the joint POS plan and the groups with PPO plans to MCHMO-only POS and PPO plans, respectively. As further described in the Business Plan included as Confidential Exhibit 1, under the MCHMO-only POS and PPO plans, MCHMO will write both the in-network portion of the plans and the out-of-network portion of the plans in separate group policies (but just one certificate for enrollees). MCHMO would apply the usual 3% compulsory surplus factor to the in-network portion of the premium and the 10% compulsory surplus factor to the out-of-network portion of the premium. The in-network portion of the premium would not count toward the 10% limit on non-HMO business applicable to HMO insurers. As a result of the reduction in business written by MCIC, the companies propose to make MCIC a subsidiary of MCHMO, and to preserve MCIC in its current form for future operations.

Following the Proposed Merger, subject to disapproval by the Office, MCIC would distribute substantially all of its excess operating assets and liabilities to MCHMO, with MCIC retaining a minimal amount of assets for purposes of intending to engage in existing or future business activities (e.g., maintaining licenses related to historical and potential future business needs).

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire; and the terms of the offer, request, invitation, agreement or acquisition; and a statement as to the method by which the fairness of the proposal was arrived at.

As noted in Section 3.1 of the Plan of Merger included as Exhibit A, under the Proposed Merger (i) the 10,000 outstanding shares of stock of MCIC, all of which are currently held by MHSC, will be converted into the right to receive, and will be exchanged for, 100 shares of stock of MCHMO;³ (ii) the 100 outstanding shares of MCHMO, all of which are currently held by MCIC, will be cancelled; and (iii) the 10,000 outstanding shares of stock of Merger Sub, all of which are currently held by MCHMO, will be automatically converted into 10,000 shares of stock of MCIC.

The fairness of this internal transaction was determined by the parties in line with their business goals after consultation with their tax and legal advisors.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

Currently, (i) MHSC owns all 10,000 shares of the stock of MCIC, (ii) MCIC owns all 100 shares of the stock of MCHMO, and (iii) MCHMO owns all 10,000 shares of the stock of

³ Under Section 3.2 of the Plan of Merger, (i) MHSC will surrender to MCIC for cancellation its certificate for the shares of MCIC stock MHSC holds, and (ii) MCHMO will issue to MCHS 100 shares of MCHMO stock.

Merger Sub. After implementation of the Plan of Merger included as Exhibit A, MHSC will own all 100 shares of MCHMO, and MCHMO will own all 10,000 shares of the stock of MCIC.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Give a full description of any contracts, arrangements or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom the contracts, arrangements or understandings have been entered into.

None other than as set forth in this Form A.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Describe any purchases of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement. Include in the description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any shares so purchased are hypothecated.

None other than as set forth in this Form A.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

None.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

None.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Pursuant to s. 601.42, Stat., financial statements, exhibits, and three-year financial projections of the insurer(s) shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

The following is a list of the exhibits which are attached to this Form A:

<u>Exhibit</u>	<u>Description</u>
A	Agreement and Plan of Merger
B	Pre- and Post-Closing Organizational Chart
C	List of Directors and Executive Officers of Applicant and Mercy Health Corporation

The following is the exhibit submitted with the confidential supplement to this Form A:

<u>Exhibit</u>	<u>Description</u>
1	Business Plan

(b) *The financial statements shall include the annual financial statements of the persons identified in Item 2(c) for the preceding 5 fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last fiscal year, if the information is available. The statements may be prepared either on an individual basis or, unless the commissioner otherwise requires, on a consolidated basis if consolidated statements are prepared in the usual course of business.*

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the person's last fiscal year, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the annual statement of the person filed with the insurance department of the person's state of domicile and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of the state.

As a new corporation that has been inactive to date, Merger Sub does not prepare financial statements. Therefore, the requested financial information is not reasonably available to Merger Sub. In lieu thereof, Applicant submits the audited financial statements of MHC, and incorporates by reference, pursuant to § Ins 40.12(1), such financial statements as filed with the Form B for MCIC and MCHMO.

(c) *File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last 2 fiscal years, and any additional documents or papers required by form A or ss. Ins 40.11 and 40.13, Wis. Adm. Code.*

(i) There are no tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of MCIC or MCHMO, or additional soliciting material relating thereto.

(ii) There are no proposed employment, consultation, advisory or management contracts concerning MCIC or MCHMO beyond any such contracts already in existence.

(iii) There are no annual reports to the stockholders of MCIC, MCHMO or Merger Sub.

(iv) There are no additional documents or papers required by the Form A or §§ Ins 40.11 or 40.13.

(v) Pre-Acquisition Notification and Competitive Standard. The Proposed Merger is exempt from the pre-acquisition notification and competitive standards of Wis. Admin. Code § Ins 40.025 pursuant to § Ins 40.025(2)(d)2. Applicant has no affiliate that is an insurer other than MCIC and MCHMO. Therefore, merging Applicant and MCIC under the Proposed Merger will not increase any market share, and Applicant respectfully requests that OCI determine that the § Ins 40.025(2)(d)2. exemption is satisfied. The Proposed Merger may also satisfy one or both of the remaining exemptions in § Ins. 40.025(2)(d), and Applicant reserves the right to present such information, if necessary.

(vi) Grounds for Approval. As grounds for approval of the plan of merger or other acquisition of control described in this statement, Merger Sub states that the plan would not violate the law or be contrary to the interests of the insureds of MCIC and MCHMO, any participating domestic insurer or of the Wisconsin insureds of any participating nondomestic insurer and that:

(a) After the change of control, MCIC and MCHMO 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;

(b) The effect of the merger or other acquisition of control would not be to create a monopoly or substantially to lessen competition in insurance in Wisconsin;

(c) The financial condition of any acquiring party is not likely to jeopardize the financial stability of MCIC, MCHMO, or their parent insurance holding corporation, or prejudice the interests of their Wisconsin policyholders;

(d) Except as otherwise described in this Form A, Merger Sub has no plans or proposals to liquidate MCIC, MCHMO, or their parent insurance holding corporation, sell their assets, or merge them with any person or make any other material change in their business or

corporate structure or management or any such plans or proposals are fair and reasonable to policyholders of MCIC and in the public interest; and

(e) The competence and integrity of those persons who would control the operation of MCIC or its parent insurance holding corporation are such that it would be in the interest of the policyholders of MCIC and MCHMO and of the public to permit the merger or acquisition of control.

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide, to the best of its knowledge and belief, the information required by form F within fifteen (15) days after the end of the month in which acquisition of control occurs.

Applicant respectfully requests that the information included in the MHC Form F filed June 1, 2023 satisfy the requirement for providing information to the commissioner to evaluate enterprise risk. Otherwise, Applicant agrees to provide, to the best of its knowledge and belief, the information required by form F within fifteen (15) days after the end of the month in which acquisition of control occurs. Applicant acknowledges that Applicant and all subsidiaries within its control in the insurance holding company system will provide information to the commissioner upon request as necessary to evaluate enterprise risk to MCIC and MCHMO.

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ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification as follows:

SIGNATURE

Pursuant to the requirements of Wis. Admin. Code ch. Ins 40 the Applicant has caused this application to be duly signed on its behalf in the city of ↑ and state of WI on the 13th day of December, 2023. JANESVILLE

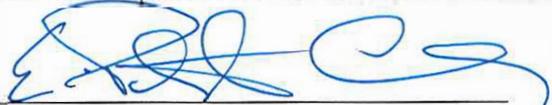
MERCYCARE MERGER SUB, INC.

By: 
E. Patrick Cranley, President

Attest: 
Name: Reid M Buerer
Title: Quality Manager

CERTIFICATION

The undersigned deposes and says that deponent has duly executed the attached application dated December 13, 2023, for and on behalf of the Applicant, that deponent is the President of such company, and that deponent is authorized to execute and file such instrument. Deponent further says that deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of de onent's knowledge, information and belief.


E. Patrick Cranley

Subscribed and sworn to this
13 day of December, 2023.


Notary public
My commission expires on: 7-31-24

Nichole J. Cheske
Notary Public
State of Wisconsin