

In the Matter of the Acquisition of Control of  
MercyCare Insurance Company, and  
MercyCare HMO, Inc.

FINAL DECISION

by

Interstate Alliance, Inc.

Case No. 15-C40481

Petitioner.

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FINAL DECISION

I adopt the Hearing Examiner's Proposed Decision, including the findings of fact and conclusions of law, which is attached to this Final Decision, and which was served on the Petitioners with an opportunity for submitting written objections.

Based upon these findings of fact and conclusions of law, I order that:

(14) The Petitioners' request for approval of the plan for the acquisition of control is approved, subject to the following conditions subsequent:

- a) Form D Filings: MercyCare Insurance Company and MercyCare HMO, Inc. shall seek the nondisapproval of the Commissioner through the filing of a Form D Statement prior to entering into a transaction with any entity that owns, whether directly or indirectly, 10% or more of the company's voting securities, if the transaction is of the type, and meets the reporting thresholds, prescribed by s. 617.21, Wis. Stat. and s. Ins 40.04, Wis. Adm. Code.
- b) Holding Company Registration Statement – Forms B & C (MercyCare Insurance Company and MercyCare HMO, Inc.): An annual Holding Company Registration Statement on Forms B and C will be filed annually by MercyCare Insurance Company and MercyCare HMO, Inc., pursuant to s. Ins 40.03, Wis. Adm. Code. The financial statements of the ultimate controlling person that are filed in conjunction with the annual Holding Company Registration Statement shall be those of Interstate Alliance, Inc., and shall include as additional supplementary information the consolidating financial statements for all entities included within the audited consolidated financial statements.

NOTICE OF APPEAL INFORMATION

(Notice of rights for rehearing and judicial review,  
the times allowed for each, and the identification  
of the party to be named as respondent)

The following notice is served on you as part of the Final Decision:

1. Rehearing.

Any person aggrieved by this Final Decision may petition for a rehearing within 20 days after the service of this Final Decision, as provided in s. 227.49, Wis. Stat. A petition for rehearing is not a prerequisite for appeal directly to circuit court through a petition for judicial review.

A petition for rehearing must be filed with the Commissioner at the address below.

2. Judicial Review.

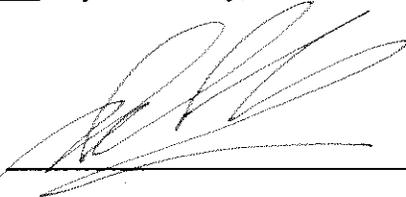
Any person aggrieved by this Final Decision has a right to petition for judicial review of this Final Decision as provided in s. 227.53, Wis. Stat. The petition must be filed in circuit court within 30 days after service of this Final Decision if there has been no petition for rehearing, or within 30 days after service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition by operation of law of any petition for rehearing.

A petition for judicial review must be served on, and name as the Respondent:

Commissioner of Insurance, Respondent  
Office of the Commissioner of Insurance  
P. O. Box 7873  
Madison, Wisconsin 53707-7873

A copy of the relevant statutory provisions is attached.

Dated at Madison, Wisconsin, this 12<sup>th</sup> day of January, 2015.



Theodore K. Nickel  
Commissioner of Insurance

WISCONSIN STATUTES

At all times material, the relevant parts of s. 227.49, Wis. Stat., read as follows:

227.49 PETITIONS FOR REHEARING IN CONTESTED CASES

(1) A petition for rehearing shall not be a prerequisite for appeal or review. Any person aggrieved by a final order may, within 20 days after service of the order, file a written petition for rehearing which shall specify in detail the grounds for the relief sought and supporting authorities. An agency may order a rehearing on its own motion within 20 days after service of a final order. . . .

(2) The filing of a petition for rehearing shall not suspend or delay the effective date of the order, and the order shall take effect on the date fixed by the agency and shall continue in effect unless the petition is granted or until the order is superseded, modified, or set aside as provided by law.

(3) Rehearing will be granted only on the basis of:

(a) Some material error of law.

(b) Some material error of fact.

(c) The discovery of new evidence sufficiently strong to reverse or modify the order, and which could not have been previously discovered by due diligence.

(4) Copies of petitions for rehearing shall be served on all parties of record. Parties may file replies to the petition.

(5) The agency may order a rehearing or enter an order with reference to the petition without a hearing, and shall dispose of the petition within 30 days after it is filed. If the agency does not enter an order disposing of the petition within the 30-day period, the petition shall be deemed to have been denied as of the expiration of the 30-day period.

(6) Upon granting a rehearing, the agency shall set the matter for further proceedings as soon as practicable. . . .

At all times material, the relevant part of s. 227.52, Wis. Stat., read as follows:

227.52 JUDICIAL REVIEW; DECISIONS REVIEWABLE.

Administrative decisions which adversely affect the substantial interests of any person, whether by action or inaction, whether affirmative or negative in form, are subject to review as provided in this chapter. . . .

At all times material, the relevant parts of s. 227.53, Wis. Stat., read as follows:

227.53 PARTIES AND PROCEEDINGS FOR REVIEW. (1)

Except as otherwise specifically provided by law, any person aggrieved by a decision specified in s. 227.52 shall be entitled to judicial review thereof as provided in this chapter.

(a) 1. Proceedings for review shall be instituted by serving a petition therefor personally or by certified mail upon the agency or one of its officials, and filing the petition in the office of the clerk of the circuit court for the county where the judicial review proceedings are to be held. . . .

2. Unless a rehearing is requested under s. 227.49, petitions for review under this paragraph shall be served and filed within 30 days after the service of the decision of the agency upon all parties under s. 227.48. If a rehearing is requested under s. 227.49, any party desiring judicial review shall serve and file a petition for review within 30 days after service of the order finally disposing of the application for rehearing, or within 30 days after the final disposition by operation of law of any such application for rehearing. The 30-day period for serving and filing a petition under this paragraph commences on the day after personal service or mailing of the decision by the agency.

. . .

(b) The petition shall state the nature of the petitioner's interest, the facts showing that petitioner is a person aggrieved by the decision, and the grounds specified in s. 227.57 upon which petitioner contends that the decision should be reversed or modified. . . .

. . .

(c) A copy of the petition shall be served personally or by certified mail or, when service is timely admitted in writing, by first class mail, not later than 30 days after the institution of the proceeding, upon each party who appeared before the agency in the proceeding in which the decision sought to be reviewed was made or upon the party's attorney of record. . . .

(d) The agency . . . and all parties to the proceeding before it, shall have the right to participate in the proceedings for review. .

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In the Matter of the Acquisition of Control of

PROPOSED DECISION

MercyCare Insurance Company and  
MercyCare HMO, Inc.

by

Interstate Alliance, Inc.,  
Petitioner.

Case No. 15-C40481

Rebecca L. Easland, Hearing Examiner, Presiding

APPEARANCES

For the Office of the  
Commissioner of Insurance:

Present in person  
Kristin Forsberg (Co. Licensing Specialist)  
Peter Medley (Deputy Bureau Director)  
Richard Hinkel (Ins. Examiner Supervisor)

For the Petitioner and the Wisconsin Insurers:

Present in person  
William J. Toman  
Quarles & Brady LLP (Legal Counsel)  
33 East Main Street, Suite 900  
Madison WI 53703

representing:

Interstate Alliance, Inc.  
2400 N. Rockton Ave.  
Rockford, IL 61103

MercyCare Insurance Company  
MercyCare HMO, Inc.  
3430 Palmer Road  
P.O. Box 550  
Janesville, WI 53547-2770

Proposed Decision  
Case No. 15-C40481

For Mercy Alliance, Inc.:

Present in person  
Paul T. Van Den Heuvel, Vice President and  
General Counsel

representing:

Mercy Health System  
1000 Mineral Point Avenue  
P.O. Box 5003  
Janesville, WI 53547-5003

Present by telephone  
John Cook, Vice President and Chief Financial  
Officer

representing:

Mercy Health System  
1000 Mineral Point Avenue  
P.O. Box 5003  
Janesville, WI 53547-5003

For Rockford Health System:

Present by telephone  
Henry M. Seybold, Jr., Senior Vice President  
and CFO

representing:

Rockford Health System  
2400 N. Rockton Ave.  
Rockford, IL 61103

#### PRELIMINARY

Pursuant to a Public Notice of Hearing dated January 2, 2015, a hearing was held at 3:05 p.m. on January 12, 2015, to determine whether the Petitioner's application for approval of the plan for acquisition of control should be granted. Based on the record, the Hearing Examiner makes the following:

#### PROPOSED FINDINGS OF FACT

(1) Interstate Alliance, Inc., located at 2400 N. Rockton Ave., Rockford, Illinois, 61103, is a non-stock corporation domiciled in the State of Illinois (the Petitioner).

(2) MercyCare Insurance Company, located at 580 N. Washington, Janesville, WI, 53545, is a Wisconsin domestic stock health insurance company. MercyCare HMO, Inc., located at 580 N. Washington, Janesville, WI 53545, is a Wisconsin domestic stock health maintenance organization. [Collectively, the "Wisconsin Domestic Insurers"]

(3) The Petitioner filed with the Office of the Commissioner of Insurance (Commissioner) an application for approval of the acquisition of control of the Wisconsin Domestic Insurers (the "Plan"). The Plan had an effective date of January 1, 2015.

- (4) The Petitioner was served with a Notice of Hearing.
- (5) The Petitioner fulfilled the filing requirements of s. Ins 40.02, Wis. Adm. Code.
- (6) The Plan will not violate the law or be contrary to the interest of the insureds of the Wisconsin Domestic Insurers.
- (7) After the acquisition of control, the Wisconsin Domestic Insurers will be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which each is presently licensed.
- (8) The effect of the acquisition of control will not be to create a monopoly, or substantially lessen competition in any type or line of insurance in Wisconsin.
- (9) The financial condition of the Petitioner is not likely to jeopardize the financial stability of the Wisconsin Domestic Insurers or to prejudice the interests of their Wisconsin policyholders.
- (10) There are no plans or proposals to make significant changes to senior management or the employees of the Wisconsin Domestic Insurers, or to request an extraordinary dividend, to liquidate, to sell their assets, or to consolidate or merge with any person, or to materially change their current operations, other than the disclosures made in the Form A filing (including Exhibits). The Petitioner's Plan to acquire control of the Wisconsin Domestic Insurers is fair and reasonable to the policyholders of the Wisconsin Domestic Insurers, and in the public interest.
- (11) The competence and integrity of the persons who will control the operation of the Wisconsin Domestic Insurers are such that it will be in the interest of the policyholders and the public to permit the acquisition of control.

#### PROPOSED CONCLUSION OF LAW

(12) The proposed findings of fact as set forth above establish that the requirements of s. 611.72 and chs. 227 and 617, Wis. Stat., and ch. Ins 40, Wis. Adm. Code, have been satisfied and approval of the Plan should be granted.

#### PROPOSED ORDER

NOW, THEREFORE, based upon the findings of fact and conclusion of law, I hereby recommend that:

(13) The Petitioner's request for approval of the Plan for acquisition of control of the Wisconsin Domestic Insurers should be approved, subject to the following conditions subsequent:

- a) Form D Filings: MercyCare Insurance Company and MercyCare HMO, Inc. shall seek the nondisapproval of the Commissioner through the filing of a Form D Statement prior to entering into a transaction with any entity that owns, whether directly or indirectly, 10% or more of the company's voting securities, if the transaction is of the type, and meets the reporting thresholds, prescribed by s. 617.21, Wis. Stat. and s. Ins 40.04, Wis. Adm. Code.

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Dated at Madison, Wisconsin, this 12<sup>th</sup> day of January, 2015.



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Rebecca L. Easland  
Hearing Examiner