

In the Matter of the Acquisition of Control
of American Medical Security Life Insurance Company
by UnitedHealth Group Incorporated
and Point Acquisition LLC,

FINAL DECISION

Case No. 05-C29696

Petitioners.

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:

(15) The Petitioners' request for approval of the plan for the acquisition of control is approved. It is further ordered that:

- a) American Medical Security Life Insurance Company shall file a business plan within 270 days following its acquisition by UnitedHealth Group Incorporated.
- b) Section 611.28, Wis. Stat., shall be deemed to apply to American Medical Security Life Insurance Company as if it were a new insurer from the date it is acquired by UnitedHealth Group Incorporated.
- c) In addition to the reporting requirements of Chapter 617 of the Wisconsin Statutes and Chapter 40 of the Wisconsin Administrative Code, UnitedHealth Group Incorporated and Point Acquisition LLC, and each of their respective successors, if any, agree to notify the Commissioner promptly upon occurrence of any of the following relating to American Medical Security Life Insurance Company, Midwest Security Life Insurance Company, Unimerica Insurance Company, and UnitedHealthcare of Wisconsin, Inc. (the "UnitedHealth Group Wisconsin-Domiciled Insurance Subsidiaries"), it being understood that none of the following, except as may otherwise be required by law, shall require the consent or approval of the Commissioner:
 1. Withdrawal from or a significant reduction in participation by any of the Wisconsin-domiciled Insurance Subsidiaries in Medicare Plus Choice, Medicaid, Badger Care, or other similar government-sponsored insurance-related programs in Wisconsin.
 2. Any Significant Reduction in the total number of full-time equivalent employees of UnitedHealth Group Incorporated and its subsidiaries that are employed at offices in Wisconsin for the operation of the UnitedHealth Group Wisconsin-domiciled Insurance Subsidiaries. For purposes of this Section 14(c)2, a Significant Reduction shall be a reduction during any calendar year below 90% of the Baseline Employment of all of the UnitedHealth Group Wisconsin-domiciled Insurance Subsidiaries. Baseline Employment shall mean the total full-time equivalent

employees that are employed at offices in Wisconsin for the operation of the UnitedHealth Group Wisconsin-domiciled Insurance Subsidiaries determined as of January 1 of each calendar year.

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.

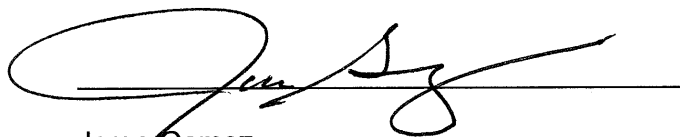
Any person aggrieved by this Final Decision has a right to petition for judicial review of this Final Decision as provided in s. 227.53, Wis. Stat. The petition must be filed in circuit court within 30 days after service of this Final Decision if there has been no petition for rehearing, or within 30 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 9th day of November, 2005.



Jorge Gomez
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. .

. . .

In the Matter of the Acquisition of Control
of American Medical Security Life Insurance Company
by UnitedHealth Group Incorporated
and Point Acquisition LLC,

PROPOSED DECISION

Case No. 05-C29696

Petitioners.

Roger A. Peterson, Hearing Examiner, Presiding

APPEARANCES

For the Office of the
Commissioner of Insurance:

Present in person

Steven J. Junior
Insurance Examiner Supervisor
125 South Webster Street
Madison, Wisconsin 53703

Timothy J. Vande Hey
Insurance Financial Examiner - Advanced
125 South Webster Street
Madison, Wisconsin 53703

For the Petitioners:

Present in person

Lisa R. Lange
Whyte Hirschboeck Dudek S.C.
One East Main Street, Suite 300
Madison, Wisconsin 53703

Michael J. McDonnell
General Counsel
UnitedHealthcare
5901 Lincoln Drive MN012-N205
Edina, Minnesota 55436-1611

Present by telephone

Robert J. Sheehy
Chief Executive Officer
UnitedHealthcare
5901 Lincoln Drive MN012-N205
Edina, Minnesota 55436-1611

Other appearances: Present by telephone

For PacifiCare Health Systems, Inc.

Kevin G. Fitzgerald
Foley & Lardner S.C.
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202-5367

Joseph Konowiecki, Executive Vice President,
General Counsel and Secretary
PacifiCare Health Systems, Inc.
5995 Plaza Drive
Cypress, California 90632

PRELIMINARY

Pursuant to a Notice of Hearing dated November 9, 2005, a hearing was held at 4:44 p.m. on November 9, 2005, to determine whether the Petitioners' 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) UnitedHealth Group Incorporated, 9900 Bren Road East, Minnetonka, Minnesota, is a stock corporation domiciled in Minnesota and Point Acquisition LLC, 9900 Bren Road East, Minnetonka, Minnesota, is a limited liability company organized under the laws of Delaware and is a wholly-owned subsidiary of UnitedHealth Group Incorporated. (the Petitioners)

(2) American Medical Security Life Insurance Company, 3100 AMS Boulevard, Green Bay, Wisconsin 54313, is a Wisconsin domestic stock insurance corporation.

(4) The Petitioners filed with the Office of the Commissioner of Insurance (Commissioner) an application for approval of the acquisition of control of American Medical Security Life Insurance Company (plan).

(5) The Petitioners were served with a Notice of Hearing.

(6) The Petitioners fulfilled the filing requirements of s. Ins 40.02, Wis. Adm. Code.

(7) The plan will not violate the law or be contrary to the interest of the insureds of American Medical Security Life Insurance Company.

(8) After the acquisition of control, American Medical Security Life Insurance Company will be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed.

(9) The effect of the acquisition of control will not be to create a monopoly or substantially to lessen competition in any type or line of insurance in Wisconsin.

(10) The financial condition of UnitedHealth Group Incorporated and Point Acquisition LLC are not likely to jeopardize the financial stability of American Medical Security Life Insurance Company or to prejudice the interests of its Wisconsin policyholders.

(11) There are no plans or proposals to liquidate the domestic stock insurance corporation, American Medical Security Life Insurance Company, to sell its assets, or to consolidate or merge it with any person or make any other material change in its business or corporate structure or management other than the proposed acquisition of control.

(12) The competence and integrity of the persons who will control the operation of the domestic stock insurance corporation, American Medical Security Life Insurance Company, and its proposed parent insurance holding corporation, UnitedHealth Group Incorporated, 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

(13) The proposed findings of fact 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:

(14) The Petitioners' request for approval of the plan for acquisition of control should be approved. It is further ordered that:

- a) American Medical Security Life Insurance Company shall file a business plan within 270 days following its acquisition by UnitedHealth Group Incorporated.
- b) Section 611.28, Wis. Stat., shall be deemed to apply to American Medical Security Life Insurance Company as if it were a new insurer from the date it is acquired by UnitedHealth Group Incorporated.
- c) In addition to the reporting requirements of Chapter 617 of the Wisconsin Statutes and Chapter 40 of the Wisconsin Administrative Code, UnitedHealth Group Incorporated and Point Acquisition LLC, and each of their respective successors, if any, agree to notify the Commissioner promptly upon occurrence of any of the following relating to American Medical Security Life Insurance Company, Midwest Security Life Insurance Company, Unimerica Insurance Company, and UnitedHealthcare of Wisconsin, Inc. (the "UnitedHealth Group Wisconsin-Domiciled Insurance Subsidiaries"), it being

understood that none of the following, except as may otherwise be required by law, shall require the consent or approval of the Commissioner:

1. Withdrawal from or a significant reduction in participation by any of the Wisconsin-domiciled Insurance Subsidiaries in Medicare Plus Choice, Medicaid, Badger Care, or other similar government-sponsored insurance-related programs in Wisconsin.
2. Any Significant Reduction in the total number of full-time equivalent employees of UnitedHealth Group Incorporated and its subsidiaries that are employed at offices in Wisconsin for the operation of the UnitedHealth Group Wisconsin-domiciled Insurance Subsidiaries. For purposes of this Section 14(c)2, a Significant Reduction shall be a reduction during any calendar year below 90% of the Baseline Employment of all of the UnitedHealth Group Wisconsin-domiciled Insurance Subsidiaries. Baseline Employment shall mean the total full-time equivalent employees that are employed at offices in Wisconsin for the operation of the UnitedHealth Group Wisconsin-domiciled Insurance Subsidiaries determined as of January 1 of each calendar year.

Dated at Madison, Wisconsin, this 9th day of November, 2005.

A handwritten signature in cursive script that reads "Roger A. Peterson" followed by a horizontal line and the initials "SW".

Roger A. Peterson
Hearing Examiner